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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2004

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______.

Commission file number 1-13300

CAPITAL ONE FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**54-1719854** **(I.R.S. Employer Identification No.)**
1680 Capital One Drive, McLean, Virginia **(Address of principal executive offices)**	**22102** **(Zip Code)**

(703) 720-1000
(Registrant's telephone number, including area code)

(Not Applicable)
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). **Yes** ☒ **No** ☐

As of March 31, 2004 there were 239,758,108 shares of the registrant's Common Stock, par value $.01 per share, outstanding.

CAPITAL ONE FINANCIAL CORPORATION
FORM 10-Q

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March 31, 2004

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Part I. Financial Information

Item 1. ***Financial Statements (unaudited)***

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

	March 31 2004	December 31 2003
Assets:		
Cash and due from banks	**$ 323,346**	$ 382,212
Federal funds sold and resale agreements	**1,257,666**	1,010,319
Interest-bearing deposits at other banks	**188,237**	587,751
Cash and cash equivalents	**1,769,249**	1,980,282
Securities available for sale	**9,149,440**	5,866,628
Consumer loans	**33,171,516**	32,850,269
Less: Allowance for loan losses	**(1,495,000)**	(1,595,000)
Net loans	**31,676,516**	31,255,269
Accounts receivable from securitizations	**4,008,809**	4,748,962
Premises and equipment, net	**898,802**	902,600
Interest receivable	**236,852**	214,295
Other	**1,406,757**	1,315,670
Total assets	**$ 49,146,425**	$ 46,283,706
Liabilities:		
Interest-bearing deposits	**$ 23,610,851**	$ 22,416,332
Senior and subordinated notes	**7,224,798**	7,016,020
Other borrowings	**8,254,383**	7,796,613
Interest payable	**245,172**	256,015
Other	**2,968,993**	2,746,915
Total liabilities	**42,304,197**	40,231,895
Stockholders' Equity:		
Preferred stock, par value $.01 per share; authorized 50,000,000 shares, none issued or outstanding	**—**	—
Common stock, par value $.01 per share; authorized 1,000,000,000 shares; 241,065,923 and 236,352,914 shares issued as of March 31, 2004 and December 31, 2003, respectively	**2,411**	2,364
Paid-in capital, net	**2,218,861**	1,937,302
Retained earnings	**4,522,976**	4,078,508
Cumulative other comprehensive income (loss)	**147,408**	83,158
Less: Treasury stock, at cost; 1,307,815 and 1,310,582 shares as of March 31, 2004 and December 31, 2003, respectively	**(49,428)**	(49,521)
Total stockholders' equity	**6,842,228**	6,051,811
Total liabilities and stockholders' equity	**$ 49,146,425**	$ 46,283,706

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31	
	2004	**2003**
Interest Income:		
Consumer loans, including fees	**$ 1,035,017**	$ 1,013,282
Securities available for sale	**63,716**	42,931
Other	**65,998**	50,353
Total interest income	**1,164,731**	1,106,566
Interest Expense:		
Deposits	**239,512**	209,308
Senior and subordinated notes	**130,515**	104,097
Other borrowings	**62,682**	58,357
Total interest expense	**432,709**	371,762
Net interest income	**732,022**	734,804
Provision for loan losses	**243,668**	375,851
Net interest income after provision for loan losses	**488,354**	358,953
Non-Interest Income:		
Servicing and securitizations	**917,669**	729,689
Service charges and other customer-related fees	**354,493**	441,226
Interchange	**105,595**	85,351
Other	**65,377**	48,337
Total non-interest income	**1,443,134**	1,304,603
Non-Interest Expense:		
Salaries and associate benefits	**424,392**	398,467
Marketing	**255,147**	241,696
Communications and data processing	**117,106**	112,052
Supplies and equipment	**88,321**	83,812
Occupancy	**38,719**	43,574
Other	**301,211**	294,331
Total non-interest expense	**1,224,896**	1,173,932
Income before income taxes	**706,592**	489,624
Income taxes	**255,786**	181,161
Net income	**$ 450,806**	$ 308,463
Basic earnings per share	**$ 1.94**	$ 1.38
Diluted earnings per share	**$ 1.84**	$ 1.35
Dividends paid per share	**$ 0.03**	$ 0.03

See Notes to Condensed Consolidated Financial Statements.

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

	Common Stock							
	Shares	Amount	Paid-in Capital	Deferred Compensation	Retained Earnings	Cumulative Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholder's Equity
Balance, December 31, 2002	227,073,162	$ 2,271	$ 1,806,440	$ (101,970)	$ 2,966,948	$ (15,566)	$ (34,952)	$ 4,623,171
Comprehensive income:								
Net income					309,104			309,104
Other comprehensive income, net of income tax:								
Unrealized losses on securities, net of income tax benefit of $3,540						(6,027)		(6,027)
Foreign currency translation adjustments						(11,810)		(11,810)
Unrealized gains on cash flow hedging instruments, net of income taxes of $4,726						8,047		8,047
Other comprehensive loss						(9,790)		(9,790)
Comprehensive income								299,314
Cash dividends - $.03 per share					(6,023)			(6,023)
Purchase of treasury stock							(14,214)	(14,214)
Issuances of common and restricted stock, net of forfeitures	508,945	4	16,338	(386)				15,956
Exercise of stock options	39,097		357					357
Amortization of deferred compensation				9,729				9,729
Other items, net			375					375
Balance, March 31, 2003	227,621,204	$ 2,275	$ 1,823,510	$ (92,627)	$ 3,270,029	$ (25,356)	$ (49,166)	$ 4,928,665
Balance, December 31, 2003	236,352,914	$ 2,364	$ 2,164,435	$ (227,133)	$ 4,078,508	$ 83,158	$ (49,521)	$ 6,051,811
Comprehensive income:								
Net income					**450,806**			**450,806**
Other comprehensive income, net of income tax:								
Unrealized gains on securities, net of income taxes of $19,314						**35,158**		**35,158**
Foreign currency translation adjustments						**22,134**		**22,134**
Unrealized gains on cash flow hedging instruments, net of income taxes of $4,231						**6,958**		**6,958**
Other comprehensive income						**64,250**		**64,250**
Comprehensive income								**515,056**
Cash dividends - $.03 per share					**(6,338)**			**(6,338)**
Issuances of common and restricted stock, net of forfeitures	**(17,291)**		**1,279**	**5,254**			**93**	**6,626**
Exercise of stock options	**4,730,300**	**47**	**243,786**					**243,833**
Amortization of deferred compensation				**22,613**				**22,613**
Common stock issuable under incentive plan			**8,627**					**8,627**
Balance, March 31, 2004	**241,065,923**	**$ 2,411**	**$ 2,418,127**	**$ (199,266)**	**$ 4,522,976**	**$ 147,408**	**$ (49,428)**	**$ 6,842,228**

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31	
	2004	**2003**
Operating Activities:		
Net income	**$ 450,806**	$ 309,104
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for loan losses	**243,668**	375,851
Depreciation and amortization	**96,283**	92,916
Losses (gains) on securities available for sale	**173**	(9,705)
Gains on sales of auto loans	**(13,304)**	(4,187)
Stock plan compensation expense	**31,240**	9,729
(Increase) decrease in interest receivable	**(22,557)**	8,514
Decrease in accounts receivable from securitizations	**740,901**	230,787
(Increase) decrease in other assets	**(60,126)**	508,033
Decrease in interest payable	**(10,843)**	(41,452)
Increase (decrease) in other liabilities	**229,537**	(655,084)
Net cash provided by operating activities	**1,685,778**	824,506
Investing Activities:		
Purchases of securities available for sale	**(3,726,977)**	(1,191,920)
Proceeds from maturities of securities available for sale	**325,967**	196,934
Proceeds from sales of securities available for sale	**164,307**	591,045
Proceeds from sale of automobile loans	**(269,583)**	(87,153)
Proceeds from securitization of consumer loans	**2,331,687**	1,081,944
Net increase in consumer loans	**(2,840,035)**	(1,844,627)
Principal recoveries of loans previously charged off	**115,060**	94,094
Additions of premises and equipment, net	**(58,298)**	(61,410)
Net cash used for investing activities	**(3,957,872)**	(1,221,093)
Financing Activities:		
Net increase in interest-bearing deposits	**1,194,519**	1,163,423
Net increase in other borrowings	**457,706**	211,737
Issuances of senior notes	**499,490**	—
Maturities of senior notes	**(295,000)**	(453,040)
Issuances (purchases) of treasury stock	**93**	(3,714)
Dividends paid	**(6,338)**	(6,023)
Net proceeds from issuances of common stock	**6,533**	5,456
Proceeds from exercise of stock options	**204,058**	357
Net cash provided by financing activities	**2,061,061**	918,196
Increase in cash and cash equivalents	**(211,033)**	521,609
Cash and cash equivalents at beginning of period	**1,980,282**	918,778
Cash and cash equivalents at end of period	**$ 1,769,249**	$ 1,440,387

See Notes to Condensed Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
Notes to Condensed Consolidated Financial Statements
(in thousands, except per share data) (unaudited)

Note A: Significant Accounting Policies

Business

The condensed consolidated financial statements include the accounts of Capital One Financial Corporation (the “Corporation”) and its subsidiaries. The Corporation is a holding company whose subsidiaries market a variety of financial products and services to consumers. The principal subsidiaries are Capital One Bank (the “Bank”), which offers credit card products, Capital One, F.S.B. (the “Savings Bank”), which offers consumer lending (including credit cards) and deposit products, and Capital One Auto Finance, Inc. (“COAF”) which offers primarily automobile financing products. The Corporation and its subsidiaries are collectively referred to as the “Company.”

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Operating results for the three months ended March 31, 2004 are not necessarily indicative of the results for the year ending December 31, 2004.

The notes to the consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2003 should be read in conjunction with these condensed consolidated financial statements.

All significant intercompany balances and transactions have been eliminated.

Stock-Based Compensation

In December 2003, the Company adopted the expense recognition provisions of SFAS No. 123, *Accounting for Stock Based Compensation*, (“SFAS 123”), prospectively to all awards granted, modified, or settled after January 1, 2003. Typically, awards under the Company’s plans vest over a three year period. Therefore, cost related to stock-based compensation included in net income for 2003 and 2004 is less than that which would have been recognized if the fair value method had been applied to all awards since the original effective date of SFAS 123. The effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period is presented in the table below. The fair value of options was estimated at the date of grant using the Black-Scholes option-pricing model and is amortized into expense over the options’ vesting period.

Pro Forma Information	For the Three Months Ended March 31 2004	2003
Net income, as reported	**$ 450,806**	$ 308,463
Stock-based employee compensation expense included in reported net income	**18,837**	6,770
Stock-based employee compensation expense determined under fair value based method[1]	**(50,631)**	(42,604)
Pro forma net income	**$ 419,012**	$ 272,629
Earnings per share:		
Basic – as reported	**$ 1.94**	$ 1.38
Basic – pro forma	**$ 1.81**	$ 1.22
Diluted – as reported	**$ 1.84**	$ 1.35
Diluted – pro forma	**$ 1.70**	$ 1.19

(1) Includes amortization of compensation expense for current year stock option grants and prior year stock option grants over the stock options' vesting period.

The fair value of the options granted during the three months ended March 31, 2004 and 2003 was estimated at the date of grant using a Black-Scholes option-pricing model with the weighted average assumptions described below.

Assumptions	For the Three Months Ended March 31 2004[1]	2003
Dividend yield	**.15%**	.34%
Volatility factors of expected market price of stock	**61%**	55%
Risk-free interest rate	**2.13%**	2.84%
Expected option lives (in years)	**3.0**	5.0

(1) Stock options granted during the three months ended March 31, 2004 consisted exclusively of grants issued upon exercises of vested stock options through stock swaps in accordance with stock option agreements.

Note B: Segments

The Company maintains three distinct operating segments: U.S. Card, Auto Finance, and Global Financial Services. The U.S. Card segment consists of domestic credit card lending activities. The Auto Finance segment consists of automobile financing activities. The Global Financial Services segment is comprised of international lending activities, installment lending, small business lending, patient financing, and other investment businesses. The U.S. Card, Auto Finance and Global Financial Services segments are considered reportable segments based on quantitative thresholds applied to the managed loan portfolio for reportable segments provided by SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, and are disclosed separately. The Other caption includes the Company's liquidity portfolio, emerging businesses not included in the reportable segments, investments in external companies, and various non-lending activities. The Other caption also includes the net impact of transfer pricing, certain unallocated expenses and gains/losses related to the securitization of assets.

Management decision making is performed on a managed portfolio basis. An adjustment to reconcile the managed financial information to the reported financial information in the consolidated financial statements is provided. This adjustment reclassifies a portion of net interest income, non-interest income and provision for loan losses into non-interest income from servicing and securitization.

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The Company maintains its books and records on a legal entity basis for the preparation of financial statements in conformity with GAAP. The following tables present information prepared from the Company's internal management information system, which is maintained on a line of business level through allocations from legal entities.

	For the Three Months Ended March 31, 2004						
	U.S. Card	Auto Finance	Global Financial Services	Other	Total Managed	Securitization Adjustments	Total Reported
Net interest income	$ 1,200,577	$ 189,199	$ 331,889	$ (44,587)	$ 1,677,078	$ (945,056)	$ 732,022
Non-interest income	769,056	23,430	177,326	44,724	1,014,536	428,598	1,443,134
Provision for loan losses	535,279	80,182	153,436	(8,771)	760,126	(516,458)	243,668
Non-interest expenses	829,925	84,533	279,860	30,578	1,224,896	—	1,224,896
Income tax provision (benefit)	217,594	17,249	24,984	(4,041)	255,786	—	255,786
Net income (loss)	$ 386,835	$ 30,665	$ 50,935	$ (17,629)	$ 450,806	$ —	$ 450,806
Loans receivable	$ 45,297,959	$ 8,833,929	$ 17,642,995	$ 42,019	$ 71,816,902	$ (38,645,386)	$ 33,171,516

	For the Three Months Ended March 31, 2003						
	U.S. Card	Auto Finance	Global Financial Services	Other	Total Managed	Securitization Adjustments	Total Reported
Net interest income	$ 1,108,713	$ 174,413	$ 241,345	$ (16,520)	$ 1,507,951	$ (773,147)	$ 734,804
Non-interest income	867,511	15,009	143,541	1,872	1,027,933	276,670	1,304,603
Provision for loan losses	697,856	131,982	136,482	(93,992)	872,328	(496,477)	375,851
Non-interest expenses	789,283	67,696	227,118	89,835	1,173,932	—	1,173,932
Income tax provision (benefit)	180,961	(3,795)	6,313	(2,318)	181,161	—	181,161
Net income (loss)	$ 308,124	$ (6,461)	$ 14,973	$ (8,173)	$ 308,463	$ —	$ 308,463
Loans receivable	$ 38,736,883	$ 7,742,475	$ 12,725,815	$ 8,526	$ 59,213,699	$ (31,579,259)	$ 27,634,440

During the three months ended March 31, 2004 and 2003, the Company sold $259.7 million and $83.6 million of auto loans, respectively. These transactions resulted in gains of $13.3 million and $4.2 million during the three months ended March 31, 2004 and 2003, respectively, all of which was allocated to the Auto Finance segment.

Note C: Capitalization

In February 2004, the Bank issued $500.0 million of ten-year 5.125% fixed rate bank notes under the Senior and Subordinated Global Bank Note Program.

In January 2004, the Company increased the capacity of its Revolving Credit Facility to $1.1 billion.

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Note D: Earnings Per Share

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

	Three Months Ended March 31	
	2004	**2003[(1)]**
Numerator:		
Net income	**$450,806**	$308,463
Denominator:		
Denominator for basic earnings per share -		
Weighted-average shares	**232,021**	222,951
Effect of dilutive securities:		
Stock options	**11,286**	5,471
Restricted stock	**2,106**	—
Dilutive potential common shares	**13,392**	5,471
Denominator for diluted earnings per share -		
Adjusted weighted-average shares	**245,413**	228,422
Basic earnings per share	**$ 1.94**	$ 1.38
Diluted earnings per share	**$ 1.84**	$ 1.35

(1) In the fourth quarter 2003, the Company adopted the expense recognition provisions of Financial Accounting Standard No. 123 (“SFAS 123”) Accounting for Stock Based Compensation, under the prospective method for all awards granted, modified or settled after January 1, 2003. Amounts related to the three months ended March 31, 2003, have been restated in accordance with SFAS 123.

Note E: Goodwill

The following table provides a summary of the goodwill.

	Auto Finance	Global Financial Services	Total
Balance at December 31, 2003	$218,957	$136,978	$355,935
Impairment loss	—	(3,848)	(3,848)
Foreign currency translation	—	70	70
Balance at March 31, 2004	$218,957	$133,200	$352,157

In March 2004, the Company recognized a $3.8 million impairment loss on goodwill related to certain international operations. This impairment was recorded in other non-interest expense in the consolidated income statement.

Note F: Commitments and Contingencies

Securities Litigation

Beginning in July 2002, the Corporation was named as a defendant in twelve putative class action securities cases. All twelve actions were filed in the United States District Court for the Eastern District of Virginia. Each complaint also named as “Individual Defendants” several of the Corporation’s executive officers.

On October 1, 2002, the Court consolidated these twelve cases. Pursuant to the Court’s order, Plaintiffs filed an amended complaint on October 17, 2002, which alleged that the Corporation and the Individual Defendants violated Section 10(b) of the Exchange Act, Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act. The amended complaint asserted a class period of January 16, 2001, through

July 16, 2002, inclusive. The amended complaint alleged generally that, during the asserted class period, the Corporation misrepresented the adequacy of its capital levels and loan loss allowance relating to higher risk assets. In addition, the amended complaint alleged generally that the Corporation failed to disclose that it was experiencing serious infrastructure deficiencies and systemic computer problems as a result of its growth.

On December 4, 2002, the Court granted defendants' motion to dismiss plaintiffs' amended complaint with leave to amend. Pursuant to that order, plaintiffs filed a second amended complaint on December 23, 2002, which asserted the same class period and alleged violations of the same statutes and rule. The second amended complaint also added a new Individual Defendant and asserted violations of GAAP. Defendants moved to dismiss the second amended complaint on January 8, 2003, and plaintiffs filed a motion on March 6, 2003, seeking leave to amend their complaint. On April 10, 2003, the Court granted defendants' motion to dismiss plaintiffs' second amended complaint, denied plaintiffs' motion for leave to amend, and dismissed the consolidated action with prejudice. Plaintiffs appealed the Court's order, opinion, and judgment to the United States Court of Appeals for the Fourth Circuit on May 8, 2003, and briefing on the appeal concluded in September 2003. Oral argument was held on February 25, 2004.

The Company believes that it has meritorious defenses with respect to this case and intends to defend the case vigorously. At the present time, management is not in a position to determine whether the resolution of this case will have a material adverse effect on either the consolidated financial position of the Company or the Company's results of operations in any future reporting period.

Other Pending and Threatened Litigation

In addition, the Company is also commonly subject to various pending and threatened legal actions relating to the conduct of its normal business activities. In the opinion of management, the ultimate aggregate liability, if any, arising out of any such pending or threatened legal actions will not be material to the consolidated financial position or results of operations of the Company.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

CAPITAL ONE FINANCIAL CORPORATION
Management's Discussion and Analysis of Financial Condition and Results of Operations
(Dollars in thousands) (yields and rates presented on an annualized basis)

Introduction

Capital One Financial Corporation (the "Corporation") is a holding company whose subsidiaries market a variety of products and services to consumers using its Information-Based Strategy ("IBS"). The Corporation's principal subsidiaries are Capital One Bank (the "Bank"), which offers consumer credit card products, Capital One, F.S.B. (the "Savings Bank"), which offers consumer lending products (including credit cards) and deposit products, and Capital One Auto Finance, Inc. ("COAF"), which offers automobile and other motor vehicle financing products. The Corporation and its subsidiaries are hereafter collectively referred to as the "Company." As of March 31, 2004, the Company had 46.7 million accounts and $71.8 billion in managed consumer loans outstanding and was one of the largest providers of MasterCard and Visa credit cards in the world.

The Company's profitability is affected by the net interest income and non-interest income generated on earning assets, consumer usage patterns, credit quality, levels of marketing expense and operating efficiency. The Company's revenues consist primarily of interest income on consumer loans (including past-due fees) and securities and non-interest income consisting of servicing income on securitized loans, fees (such as annual membership, cash advance, cross-sell, interchange, overlimit and other fee income, collectively "fees") and gains on the securitization of loans. Loan securitization transactions qualifying as sales under accounting principles generally accepted in the United States ("GAAP") remove the loan receivables from the consolidated balance sheet. However, the Company continues to own and service the related accounts. The Company generates earnings from its managed loan portfolio that includes both on-balance sheet and off-balance sheet loans. Interest income, fees, and recoveries in excess of the interest paid to investors and charge-offs generated from off-balance loans are recognized as servicing and securitization income.

The Company's primary expenses are the cost of funding assets, provision for loan losses, operating expenses (including salaries and associate benefits), marketing expenses and income taxes. Marketing expenses (e.g., advertising, printing, credit bureau costs and postage) to implement the Company's new product strategies are incurred and expensed prior to the acquisition of new accounts while the resulting revenues are recognized over the life of the acquired accounts. Revenues recognized are a function of the response rate of the initial marketing program, usage and attrition patterns, credit quality of accounts, product pricing and effectiveness of account management programs.

Significant Accounting Policies

See the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003, Part I, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a summary of the Company's significant accounting policies.

Off-Balance Sheet Arrangements

Off-Balance Sheet Securitizations

The Company actively engages in off-balance sheet securitization transactions of loans for funding purposes. The Company receives the proceeds of the securitization as payment for the receivables transferred. Securities outstanding totaling $38.2 billion as of March 31, 2004, represent undivided interests in the pools of consumer loan receivables that are sold in underwritten offerings or in private placement transactions.

The securitization of consumer loans has been a significant source of liquidity for the Company. Maturity terms of the existing securitizations vary from 2004 to 2013 and, for revolving securitizations, have accumulation periods during which principal payments are aggregated to make payments to investors. As payments on the loans are accumulated and are no longer reinvested in new loans, the Company's funding requirements for such new loans increase accordingly. The Company believes that it has the ability to continue to utilize off-balance sheet securitization arrangements as a source of liquidity, however, a significant reduction or termination of the Company's off-balance sheet securitizations could require the Company to draw down existing liquidity and/or to obtain additional funding through the issuance of secured borrowings or unsecured debt, the raising of additional deposits or the slowing of asset growth to offset or to satisfy liquidity needs.

Recourse Exposure

The credit quality of the receivables transferred is supported by credit enhancements, known as retained residual interests, which may be in various forms including interest-only strips, subordinated interests in the pool of receivables, cash collateral accounts, cash reserve accounts and accrued interest and fees on the investor's share of the pool of receivables. The Company's retained residual interests are generally restricted or subordinated to investors' interests and their value is subject to substantial credit, repayment and interest rate risks on transferred assets if the off-balance sheet loans are not paid when due. The investors and the trusts only have recourse to the retained residual interests, not the Company's assets. See the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003, Part I, Item 8 "Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note R" for quantitative information regarding retained interests.

Collections and Amortization

Collections of interest and fees received on securitized receivables are used to pay interest to investors, servicing and other fees, and are available to absorb the investors' share of credit losses. For revolving securitizations, amounts collected in excess of that needed to pay the above amounts are remitted to the Company. For amortizing securitizations, amounts collected in excess of the amount that is used to pay the above amounts, are generally remitted to the Company, but may be paid to investors in further reduction of their outstanding principal. See the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003, Part I, Item 8 "Financial Statements and Supplementary Data—Notes to the Consolidated Financial Statements—Note R" for quantitative information regarding revenues, expenses and cash flows that arise from securitization transactions.

Securitization transactions may amortize earlier than scheduled due to certain early amortization triggers, which would accelerate the need for funding. Additionally, early amortization would have a significant impact on the ability of the Bank and Savings Bank to meet regulatory capital adequacy requirements as all off-balance sheet loans experiencing such early amortization would be recorded on the balance sheet. At March 31, 2004, early amortization of its off-balance sheet securitizations was not indicated.

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Reconciliation to GAAP Financial Measures

The Company's consolidated financial statements prepared in accordance with GAAP are referred to as its "reported" financial statements. Loans included in securitization transactions which qualified as sales under GAAP have been removed from the Company's "reported" balance sheet. However, servicing fees, finance charges, and other fees, net of charge-offs, and interest paid to investors of securitizations are recognized as servicing and securitizations income on the "reported" income statement.

The Company's "managed" consolidated financial statements reflect adjustments made related to effects of securitization transactions qualifying as sales under GAAP. The Company generates earnings from its "managed" loan portfolio which includes both the on-balance sheet loans and off-balance sheet loans. The Company's "managed" income statement takes the components of the servicing and securitizations income generated from the securitized portfolio and distributes the revenue and expense to appropriate income statement line items from which it originated. For this reason, the Company believes the "managed" consolidated financial statements and related managed metrics to be useful to stakeholders.

	As of and for the Three Months Ended March 31, 2004		
(Dollars in thousands)	Total Reported	Securitization Adjustments[1]	Total Managed[2]
Income Statement Measures			
Net interest income	$ 732,022	$ 945,056	$ 1,677,078
Non-interest income	1,443,134	(428,598)	1,014,536
Total revenue	2,175,156	516,458	2,691,614
Provision for loan losses	243,668	516,458	760,126
Net charge-offs	342,391	516,458	858,849
Balance Sheet Measures			
Consumer loans	$33,171,516	$38,645,386	$71,816,902
Total assets	49,146,425	38,050,487	87,196,912
Average consumer loans	32,877,525	38,270,762	71,148,287
Average earning assets	44,111,541	36,383,693	80,495,234
Average total assets	47,699,012	37,625,031	85,324,043
Delinquencies	1,266,425	1,464,913	2,731,338

(1) Includes adjustments made related to the effects of securitization transactions qualifying as sales under GAAP and adjustments made to reclassify to "managed" loans outstanding the collectible portion of billed finance charge and fee income on the investors' interest in securitized loans excluded from loans outstanding on the "reported" balance sheet in accordance with Financial Accounting Standards Board Staff Position, "Accounting for Accrued Interest Receivable Related to Securitized and Sold Receivables under FASB Statement 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", issued in April 2003.

(2) The managed loan portfolio does not include auto loans which have been sold in whole loan sale transactions where the Company has retained servicing rights.

Earnings Summary

Net income was $450.8 million, or $1.84 per share, for the three months ended March 31, 2004 compared with net income of $308.5 million, or $1.35 per share, for the three month period ended March 31, 2003. This represents 46% net income growth and 36% earnings per share growth. The growth in earnings for the first quarter 2004 was primarily driven by an increase in the managed consumer loan portfolio and a reduction in the provision for loan losses, offset in part by a decrease in service charges and other customer-related fees and an increase in marketing and operating expenses.

Managed loans consist of the Company's reported loan portfolio combined with the off-balance sheet securitized loan portfolio. The Company has retained servicing rights for its securitized loans and receives servicing fees in addition to the excess spread generated from the off-balances sheet loan portfolio. Average managed loans increased $11.9 billion, or 20%, to $71.1 billion for the three months ended March 31, 2004 compared with $59.2 billion for the three months ended March 31, 2003.

Although the average managed loan balances increased, the managed net interest margin for the three months ended March 31, 2004, decreased to 8.33% from 9.34% for the three months ended March 31, 2003. This decrease is due to a reduction in the managed earning asset yields. Managed loan yields decreased 97 basis points to 13.53% for the first quarter 2004, from 14.50% for the same period in 2003. The decrease in managed loan yields resulted from the shift in the mix of the managed loan portfolio to higher credit quality, lower yielding loans. In addition, the Company built its average liquidity portfolio by $4.0 billion to $9.3 billion for the three months ended March 31, 2004, from $5.3 billion for the same period in the prior year. This placed additional downward pressure on managed earning asset yields as the yield on the liquidity portfolio is significantly lower than the yield on consumer loans.

For the three months ended March 31, 2004, the provision for loan losses decreased $132.2 million to $243.7 million, from $375.9 million for the same period in the prior year. The decrease in the provision for loan losses reflects improving delinquency rates and lower forecasted charge-offs for the reported portfolio at March 31, 2004. The improvements in the Company's credit quality metrics is a result of the change in composition of the reported loan portfolio to a higher concentration of higher credit quality loans, improved collection experience and improved economic conditions compared with the same period of the prior year.

Services charges and other customer-related fees decreased $86.7 million, to $354.5 million for the three months ended March 31, 2004, from $441.2 million for the same period in the prior year. The decrease is primarily the result of the shift in the mix of the reported loan portfolio to higher credit quality, lower fee-generating loans.

Marketing expenses for the three months ended March 31, 2004 increased $13.4 million, or 6% when compared to the same period on the prior year. This increase reflects the Company's continued investment in its diversification efforts. For the three months ended March 31, 2004, operating expenses increased $37.5 million, or 4.0%, compared with the same period in the prior year. Although operating expenses increased, operating expenses as a percentage of average managed loans for the period ended March 31, 2004 fell 84 basis points to 5.45% when compared to the three month period ended March 31, 2003. This reduction reflects the increased operating efficiencies of the Company.

Consolidated Statements of Income

Finance Charge and Fee Revenue Recognition

The Company recognizes earned finance charges and fee income on loans according to the contractual provisions of the credit arrangements. When the company does not expect full payment of finance charges and fees, it does not accrue the estimated uncollectible portion as income (hereafter the "suppression amount"). To calculate the suppression amount, the Company first estimates the uncollectible portion of finance charge and fee receivables using a formula based on historical account migration patterns and current delinquency status. This formula is consistent with that used to estimate the allowance related to expected principal losses on reported loans. The suppression amount is calculated by adding any current period change in the estimate of the uncollectible portion of finance charge and fee receivables to the amount of finance charges and fees charged-off (net of recoveries) during the period. The Company subtracts the suppression amount from the total finance charges and fees billed during the period to arrive at total reported revenue.

The amount of finance charges and fees suppressed were $285.5 million and $519.7 million for the three months ended March 31, 2004 and 2003, respectively. The reduction in the suppression amount, among other factors, was driven by the shift in mix of the Company's loan portfolio to a higher concentration of higher credit quality, lower fee generating loans, product diversification and improving economic conditions. These factors drove a reduction in total finance charges and fees billed during the period and increased the likelihood of collectibility. Together, the lower volume of total finance charges and fees billed and the higher expectations of collectibility drove the reduction in the amount of finance charges and fees suppressed. Actual payment experience could differ significantly from management's assumption, resulting in higher or lower future finance charge and fee income.

Net Interest Income

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

The change in composition of the loan portfolio described above also impacted net interest income and margins. Reported net interest income for the three month period ended March 31, 2004 was $732.0 million, compared with $734.8 million for the same period in the prior year. The decrease in net interest income is primarily the result of a decrease in earning asset yields. The reported net interest margin decreased 197 basis points to 6.64% for the three months ended March 31, 2004, compared with 8.61% for the same period in the prior year. The decrease in net interest margin was primarily due to a decrease in loan yield. The reported loan yield decreased 225 basis points to 12.59% for the three months ended March 31, 2004, compared with 14.84% for the three months ended March 31, 2003. As noted, the yield on consumer loans decreased due to the change in composition of the reported loan portfolio to a higher concentration of higher credit quality, lower yielding loans compared with the same period of the prior year. In addition, the Company increased its average liquidity portfolio by $4.0 billion, or 75%, compared with the same period in the prior year. The yield on liquidity portfolio assets is significantly lower than those on consumer loans and served to reduce the overall earning asset yields.

Table 1 provides average balance sheet data, and an analysis of net interest income, net interest spread (the difference between the yield on earning assets and the cost of interest-bearing liabilities) and net interest margin for the three months ended March 31, 2004 and 2003.

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TABLE 1 - STATEMENTS OF AVERAGE BALANCES, INCOME AND EXPENSE, YIELDS AND RATES

	Three Months Ended March 31					
	2004			2003		
(Dollars in thousands)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
Assets:						
Earning assets						
Consumer loans[1]						
Domestic	$ 29,628,634	$ 947,768	12.80%	$ 24,520,977	$ 909,993	14.84%
International	3,248,891	87,249	10.74%	2,795,217	103,289	14.78%
Total	32,877,525	1,035,017	12.59%	27,316,194	1,013,282	14.84%
Securities available for sale	7,098,951	63,716	3.59%	4,417,538	42,931	3.89%
Other						
Domestic	3,474,756	52,217	6.01%	1,893,141	42,770	9.04%
International	660,309	13,781	8.35%	517,609	7,583	5.86%
Total	4,135,065	65,998	6.38%	2,410,750	50,353	8.35%
Total earning assets	44,111,541	$ 1,164,731	10.56%	34,144,482	$ 1,106,566	12.96%
Cash and due from banks	502,585			504,494		
Allowance for loan losses	(1,593,900)			(1,718,949)		
Premises and equipment, net	916,212			781,547		
Other	3,762,574			4,606,551		
Total assets	$ 47,699,012			$ 38,318,125		
Liabilities and Equity:						
Interest-bearing liabilities						
Deposits						
Domestic	$ 21,327,764	$ 218,238	4.09%	$ 16,886,501	$ 194,838	4.62%
International	1,664,948	21,274	5.11%	1,053,557	14,470	5.49%
Total	22,992,712	239,512	4.17%	17,940,058	209,308	4.67%
Senior and subordinated Notes	7,270,889	130,515	7.18%	5,309,690	104,097	7.84%
Other borrowings						
Domestic	7,832,953	62,655	3.20%	7,007,734	58,338	3.33%
International	1,093	27	9.88%	2,181	19	3.48%
Total	7,834,046	62,682	3.20%	7,009,915	58,357	3.33%
Total interest-bearing liabilities	38,097,647	$ 432,709	4.54%	30,259,663	$ 371,762	4.91%
Other	3,158,109			3,235,908		
Total liabilities	41,255,756			33,495,571		
Equity	6,443,256			4,822,554		
Total liabilities and equity	$ 47,699,012			$ 38,318,125		
Net interest spread			6.02%			8.05%
Interest income to average earning assets			10.56%			12.96%
Interest expense to average earning assets			3.92%			4.35%
Net interest margin			6.64%			8.61%

[1] Interest income includes past-due fees of approximately $207,246 and $216,625 for the three months ended March 31, 2004 and 2003, respectively.

Interest Variance Analysis

Net interest income is affected by changes in the average interest rate generated on earning assets and the average interest rate paid on interest-bearing liabilities. In addition, net interest income is affected by changes in the volume of earning assets and interest-bearing liabilities. Table 2 sets forth the dollar amount of the increases and decreases in interest income and interest expense resulting from changes in the volume of earning assets and interest-bearing liabilities and from changes in yields and rates.

TABLE 2 - INTEREST VARIANCE ANALYSIS

	Three Months Ended March 31, 2004 vs. 2003		
		Change due to[1]	
(Dollars in thousands)	Increase (Decrease)	Volume	Yield/Rate
Interest Income:			
Consumer loans			
Domestic	$ 37,775	$ 627,094	$ (589,319)
International	(16,040)	78,160	(94,200)
Total	21,735	716,146	(694,411)
Securities available for sale	20,785	41,778	(20,993)
Other			
Domestic	9,447	88,531	(79,084)
International	6,198	2,440	3,758
Total	15,645	83,214	(67,569)
Total interest income	58,165	1,038,881	(980,716)
Interest Expense:			
Deposits			
Domestic	23,400	139,675	(116,275)
International	6,804	13,275	(6,471)
Total	30,204	151,857	(121,653)
Senior and subordinated notes	26,418	78,719	(52,301)
Other borrowings			
Domestic	4,317	16,952	(12,635)
International	8	(58)	66
Total	4,325	16,891	(12,566)
Total interest expense	60,947	221,093	(160,146)
Net interest income[1]	$ (2,782)	$ 752,588	$ (755,370)

(1) The change in interest due to both volume and rates has been allocated in proportion to the relationship of the absolute dollar amounts of the change in each. The changes in income and expense are calculated independently for each line in the table. The totals for the volume and yield/rate columns are not the sum of the individual lines.

Servicing and Securitization Income

Servicing and securitization income represents servicing fees, excess spread and other fees relating to consumer loan receivables sold through securitization and other sale transactions, as well as gains and losses resulting from securitization transactions and fair value adjustments of the retained interests. Servicing and securitizations income increased $188.0 million, or 26%, to $917.7 million for the three months ended March 31, 2004, from $729.7 million for the same period in 2003. This increase was primarily the result of a 21% increase in the average off-balance sheet loan portfolio for the three months ended March 31, 2004, compared with the same period in the prior year.

Service Charges and Other Customer-Related Fees

Service charges and other customer-related fees decreased by $86.7 million, or 20%, to $354.5 million for the three months ended March 31, 2004, compared with $441.2 million for the three months ended March 31, 2003. The decrease is primarily the result of lower overlimit and annual membership fees generated on the reported loan portfolio resulting from the shift in the mix of the reported portfolio towards higher credit quality, lower fee-generating loans.

Interchange Income

Interchange income increased $20.2 million, or 24%, to $105.6 million for three months ended March 31, 2004, from $85.4 million for the year ended March 31, 2003. This increase is primarily attributable to an increase in purchase volumes. Total interchange income is net of $27.9 million of costs related to the Company's rewards programs for the three months ended March 31, 2004, compared with $21.9 million for the three months ended March 31, 2003.

Other Non-Interest Income

Other non-interest income includes, among other items, gains and losses on sales of securities, gains and losses associated with hedging transactions, service provider revenue generated by the Company's patient finance business, gains on the sale of auto loans and income earned related to purchased charged-off loan portfolios.

Other non-interest income increased $17.0 million, or 35%, to $65.4 million for the three months ended March 31, 2004, compared with the same period in 2003. The increase in other non-interest income was primarily the result of a $15.0 million increase in the income earned from purchased charge-off loan portfolios and a $9.1 million increase in the gain on sales of auto loans, partially offset by a $9.9 million reduction related to the realized gains on the sale of securities for the three month period ended March 31, 2004, compared with the same period in the prior year.

Non-Interest Expense

Non-interest expense, which consists of marketing and operating expenses, increased $51.0 million, or 4%, for the three months ended March 31, 2004, to $1.2 billion. Marketing expense increased $13.5 million, or 6%, to $255.1 million for the three months ended March 31, 2004, compared with the same period in the prior year. The increase in the first quarter of 2004 was due to the Company investing in new and existing product opportunities and continued branding efforts. Operating expenses increased $37.5 million, or 4% for the three months ended March 31, 2004, to $969.7 million, compared with $932.2 million for the same period in the prior year. The increase in operating expenses for the three months ended March 31, 2004 was primarily the result of increased credit and recovery efforts of $35.3 million and increases in salaries and benefits of $25.9 million. Although operating expenses increased, operating expenses as a percentage of average managed loans for the period ended March 31, 2004 fell 84 basis points to 5.45% when compared to the three month period ended March 31, 2003. This reduction reflects the increased operating efficiencies of the Company.

Income Taxes

The Company's income tax rate was 36.2% and 37% for the three months March 31, 2004 and 2003, respectively. The decrease was primarily due to increased profitability in the Company's International businesses in lower taxed territories. The effective rate includes both state and federal income tax components.

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Managed Consumer Loan Portfolio

The Company's managed consumer loan portfolio is comprised of on-balance sheet and off-balance sheet loans.

The Company analyzes its financial performance on a managed consumer loan portfolio basis. The managed consumer loan portfolio includes securitized loans for which the Company has retained significant risks and potential returns. Table 3 summarizes the Company's managed consumer loan portfolio.

TABLE 3 - MANAGED CONSUMER LOAN PORTFOLIO

	Three Months Ended March 31	
(Dollars in thousands)	**2004**	**2003**
Period-End Balances:		
Reported consumer loans:		
Domestic	$ 29,688,177	$ 24,708,588
International	3,483,339	2,925,852
Total	33,171,516	27,634,440
Securitization adjustments:		
Domestic	33,877,087	29,114,980
International	4,768,299	2,464,279
Total	38,645,386	31,579,259
Managed consumer loan portfolio:		
Domestic	63,565,264	53,823,568
International	8,251,638	5,390,131
Total	$ 71,816,902	$ 59,213,699
Average Balances:		
Reported consumer loans:		
Domestic	$ 29,628,634	$ 24,520,977
International	3,248,891	2,795,217
Total	32,877,525	27,316,194
Securitization adjustments:		
Domestic	33,562,386	29,372,045
International	4,708,376	2,561,459
Total	38,270,762	31,933,504
Managed consumer loan portfolio:		
Domestic	63,191,020	53,893,022
International	7,957,267	5,356,676
Total	$ 71,148,287	$ 59,249,698

Table 4 indicates the impact of the consumer loan securitizations on average earning assets, net interest margin and loan yield for the periods presented. The Company intends to continue to securitize consumer loans.

TABLE 4

COMPARISON OF MANAGED AND REPORTED OPERATING DATA AND RATIOS

	Three Months Ended March 31	
(Dollars in thousands)	**2004**	**2003**
Reported:		
Average earning assets	$ 44,111,541	$ 34,144,482
Net interest margin(1)	6.64%	8.61%
Loan yield	12.59%	14.84%
Managed:		
Average earning assets	$ 80,495,234	$ 64,601,618
Net interest margin(1)	8.33%	9.34%
Loan yield	13.53%	14.50%

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

Revenue Margin

The Company's products are designed with the objective of maintaining strong risk-adjusted returns and providing diversification across the credit spectrum and consumer lending products. Management believes that a comparable measure for external analysis is the Company's managed revenue margin (based on average managed earning assets.)

The Company has aggressively marketed lending products to high credit quality consumers to take advantage of favorable long-term risk-adjusted returns of this consumer type. In addition, the Company continues to diversify its products beyond U.S. consumer credit cards. While these products typically consist of lower yielding loans compared with those previously made, they provide favorable impacts on managed charge-offs, operating expenses and marketing as a percentage of average managed earning assets.

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Table 5 provides income statement data and ratios for the Company's reported and managed consumer loan portfolio. The causes of increases and decreases in the various components of revenue are discussed in sections previous to this analysis.

TABLE 5 – REVENUE MARGIN

(Dollars in thousands)	Three Months Ended March 31 2004	Three Months Ended March 31 2003
Reported Income Statement:		
Net interest income	$ 732,022	$ 734,804
Non-interest income	1,443,134	1,304,603
Revenue	$2,175,156	$2,039,407
Reported Ratios:[1]		
Net interest margin	6.64%	8.61%
Non-interest income margin	13.08	15.28
Revenue margin	19.72%	23.89%
Managed Income Statement:		
Net interest income	$1,677,078	$1,507,951
Non-interest income	1,014,536	1,027,933
Revenue	$2,691,614	$2,535,884
Managed Ratios:[1]		
Net interest margin	8.33%	9.34%
Non-interest income margin	5.05	6.36
Revenue margin	13.38%	15.70%

(1) As a percentage of average earning assets.

Asset Quality

The asset quality of a portfolio is generally a function of the initial underwriting criteria used, levels of competition, account management activities and demographic concentration, as well as general economic conditions. The Company's credit risk profile is managed to maintain strong risk adjusted returns and diversification across the full credit spectrum and in each of its consumer lending products. Certain customized consumer lending products have, in some cases, higher delinquency and charge-off rates. The costs associated with higher delinquency and charge-off rates are considered in the pricing of individual products.

Delinquencies

The Company's loan portfolio is comprised of a predominantly homogeneous pool of small balance loans spread across the full credit spectrum. The Company believes delinquencies to be a primary indicator of loan portfolio credit quality at a point in time. Table 6 shows the Company's consumer loan delinquency trends for the periods presented on a reported and managed basis. The entire balance of an account is contractually delinquent if the minimum payment is not received by the payment due date. Delinquencies not only have the potential to impact earnings if the account charges off, but they also result in additional costs in terms of the personnel and other resources dedicated to resolving the delinquencies.

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TABLE 6 - DELINQUENCIES

(Dollars in thousands)	March 31 2004 Loans	2004 % of Total Loans	2003 Loans	2003 % of Total Loans
Reported:				
Loans outstanding	$33,171,516	100.00%	$27,634,440	100.00%
Loans delinquent:				
30-59 days	608,602	1.83%	661,271	2.39%
60-89 days	273,440	0.82%	311,987	1.13%
90-119 days	167,588	0.51%	218,558	0.79%
120-149 days	128,297	0.39%	170,702	0.62%
150 or more days	88,498	0.27%	127,343	0.46%
Total	$ 1,266,425	3.82%	$ 1,489,861	5.39%
Loans delinquent by geographic area:				
Domestic	1,201,222	4.05%	1,351,491	5.47%
International	65,203	1.87%	138,370	4.73%
Managed:				
Loans outstanding	$71,816,902	100.00%	$59,213,699	100.00%
Loans delinquent:				
30-59 days	1,105,665	1.54%	1,147,250	1.94%
60-89 days	602,502	0.84%	635,988	1.07%
90-119 days	430,317	0.60%	482,345	0.82%
120-149 days	335,192	0.47%	379,652	0.64%
150 or more days	257,662	0.35%	296,272	0.50%
Total	$ 2,731,338	3.80%	$ 2,941,507	4.97%

Consumer loan delinquency rate decreases principally reflect a continued shift in the mix of the loan portfolio towards higher credit quality assets, improvements in collection experience, and improved economic conditions.

Net Charge-Offs

Net charge-offs include the principal amount of losses (excluding accrued and unpaid finance charges, fees and fraud losses) less current period principal recoveries. The Company charges off credit card loans at 180 days past the due date, and generally charges off other consumer loans at 120 days past the due date or upon repossession of collateral. Costs to recover previously charged-off accounts are recorded as collection expenses in non-interest expense.

For the three months ended March 31, 2004, the reported net charge-off rate decreased 259 basis points to 4.17% compared with 6.76% for the three months ended March 31, 2003. For the three months ended March 31, 2004, the managed net charge-off rate decreased 164 basis points to 4.83% compared with 6.47% in the prior year. The decrease in both the reported and managed net charge-off rates principally relates to the shift in the mix of the loan portfolio towards higher credit quality loans and improved economic conditions. Table 7 shows the Company’s net charge-offs for the three month periods presented on a reported and managed basis.

TABLE 7 - NET CHARGE-OFFS

(Dollars in thousands)	Three Months Ended March 31 2004	2003
Reported:		
Average loans outstanding	$ 32,877,525	$ 27,316,194
Net charge-offs	342,391	461,457
Net charge-offs as a percentage of average loans outstanding	4.17%	6.76%
Managed:		
Average loans outstanding	$ 71,148,287	$ 59,249,698
Net charge-offs	858,849	957,934
Net charge-offs as a percentage of average loans outstanding	4.83%	6.47%

Allowance For Loan Losses

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

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

TABLE 8 - SUMMARY OF ALLOWANCE FOR LOAN LOSSES

	Three Months Ended March 31	
(Dollars in thousands)	**2004**	**2003**
Balance at beginning of period	$1,595,000	$1,720,000
Provision for loan losses:		
Domestic	225,280	348,497
International	18,388	27,354
Total provision for loan losses	243,668	375,851
Other	(1,277)	606
Charge-offs:		
Domestic	(426,453)	(513,821)
International	(30,998)	(41,730)
Total charge-offs	(457,451)	(555,551)
Principal recoveries:		
Domestic	105,056	85,943
International	10,004	8,151
Total principal recoveries	115,060	94,094
Net charge-offs	(342,391)	(461,457)
Balance at end of period	$1,495,000	$1,635,000
Allowance for loan losses to loans at period-end	4.51%	5.92%
Allowance for loan losses by geographic distribution:		
Domestic	$1,380,233	$1,555,554
International	114,767	79,446

For the three months ended March 31, 2004, the provision for loan losses decreased to $243.7 million, or 35.2%, from $375.9 million for the three months ended March 31, 2003. This decrease resulted from the improving credit quality of the reported loan portfolio. The 30-plus day reported delinquency rate was 3.82% at March 31, 2004, down 157 basis points from 5.39% at March 31, 2003. While the Company's reported loan portfolio increased to $33.2 billion at March 31, 2004 from $27.6 billion at March 31, 2003, the impact of the loan growth to the allowance was mitigated by the loan growth being concentrated in higher credit quality loans, an improvement in collection experience, and improved economic conditions.

Reportable Segments

The Company manages its business by three distinct operating segments: U.S. Card, Auto Finance and Global Financial Services. The U.S. Card, Auto Finance and Global Financial Services segments are considered reportable segments based on quantitative thresholds applied to the managed loan portfolio for reportable segments provided by SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information.* Management decision making is performed on a managed portfolio basis, and such information about reportable segments is provided on a managed basis.

The Company maintains its books and records on a legal entity basis for the preparation of financial statements in conformity with GAAP. The following table presents information prepared from the Company's internal management information system, which is maintained on a line of business level through allocations from legal entities.

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TABLE 9 – REPORTABLE SEGMENTS – MANAGED BASIS

(Dollars in thousands)	U.S. Card As of and for the Three Months Ended March 31		Auto Finance As of and for the Three Months Ended March 31		Global Financial Services As of and for the Three Months Ended March 31	
	2004	2003	2004	2003	2004	2003
Loans receivable	$ 45,297,959	$ 38,736,883	$ 8,833,929	$ 7,742,475	$ 17,642,995	$ 12,725,815
Net income	386,835	308,124	30,665	(6,461)	50,935	14,973
Net charge-off rate	5.41%	7.72%	4.13%	4.91%	3.60%	3.95%
30+ Delinquency rate	3.99%	5.55%	5.44%	5.37%	2.63%	2.98%

U.S. Card Segment

The U.S. Card segment consists of domestic credit card lending activities. Total U.S. Card segment loans increased 17% to $45.3 billion at March 31, 2004, compared with $38.7 billion at March 31, 2003. The loan growth in this segment reflects, among other things, the Company's continued success in applying IBS. The contribution to net income from the U.S. Card segment increased $78.7 million, or 26%, to $386.8 billion for the three months ended March 31, 2004. The increase in net income is attributable to the growth in the managed U.S. Card segment loan portfolio, enhanced by the improving credit metrics.

Net charge-offs of U.S. Card segment loans decreased $149.7 million, or 20%, while average U.S. Card segment loans for the three months ended March 31, 2004, grew $5.9 billion, or 15%, compared with the same period in the prior year. For the three months ended March 31, 2004, the U.S. Card segment's net charge-off rate was 5.41%, compared with 7.72% for the same period in 2003. This decrease was due to the addition of higher credit quality loans to the loan portfolio and improved economic conditions.

The 30-plus day delinquency rate for the U.S. Card segment was 3.99% as of March 31, 2004, down 156 basis points from 5.55% as of March 31, 2003. The decrease in delinquencies is due to the addition of higher credit quality loans to the portfolio, improvements in collection experience, and improved economic conditions.

Auto Finance Segment

The Auto Finance segment primarily consists of automobile financing activities. Total Auto Finance segment loans outstanding increased 14% to $8.8 billion at March 31, 2004, compared with $7.7 billion at March 31, 2003. The increase in auto loans outstanding was the result of, among other things, expanded organizational capabilities, a focus on diversification of the managed loan portfolio, and increased reliance on proven IBS concepts. For the three months ended March 31, 2004, the net income contribution from the Auto Finance segment increased $37.1 million compared with the same period in the prior year. This increase in the net income contribution is the result of the growth in the loan portfolio, gains on auto loan sales, and improving credit loss experience.

During the three months ended March 31, 2004 and 2003, the Company sold $259.7 million and $83.6 million, respectively of auto loans. These transactions resulted in gains of $13.3 million and $4.2 million for the three months ended March 31, 2004 and 2003, respectively, all of which was allocated to the Auto Finance segment.

Net charge-offs of Auto Finance segment loans decreased $1.5 million, or 2%, while average Auto Finance loans for the three months ended March 31, 2004, grew $1.2 billion, or 17%, compared with the same period in the prior year. For the three months ended March 31, 2004, the Auto Finance segment's net charge-off rate was 4.13% compared with 4.91% for the prior year. The decrease was primarily driven by the shift to higher credit quality loans as well as modest improvements in used car pricing.

The 30-plus day delinquency rate for the Auto Finance segment was 5.44% as of March 31, 2004, up 7 basis points from 5.37% as of March 31, 2003. The increase in delinquencies was primarily the result of slower loan growth in the first quarter of 2004, as compared to the first quarter of 2003, offset by the shift to higher credit quality loans.

Global Financial Services Segment

The Global Financial Services segment consists of international lending activities, installment lending, small business lending, patient financing and other investment businesses. Total Global Financial Services segment loans increased 39% to $17.6 billion at March 31, 2004, compared with $12.7 billion at March 31, 2003. The increase in total loans reflects the Company's successful efforts to diversify its loan portfolio. Net income contribution from the Global Financial Services segment for the three months ended March 31, 2004, increased $36.0 million, to $50.9 million, compared with the same period in the prior year. The improvement in the Global Financial Services segment's financial performance in the first quarter 2004 was due to the maturation of many of the Company's diversification businesses in the U.S., U.K. and Canada.

Net charge-offs of Global Financial Services segment loans increased $31.5 million, or 26%, while average Global Financial Services segment loans for the three months ended March 31, 2004 grew $4.7 billion, or 38%, compared with the same period in the prior year. For the three months ended March 31, 2004 the Global Financial Services segment's net charge-off rate was 3.60% compared with 3.95% for the same period in the prior year. The decrease was driven primarily by slower loan growth in the Company's small business and international businesses when compared with the prior year and the shift to higher credit quality loans.

The 30-plus day delinquency rate for the Global Financial Services segment was 2.63% as of March 31, 2004, down 35 basis points from 2.98% as of March 31, 2003. Global Financial Services delinquencies decreased primarily as a result of the addition of higher credit quality loans to the portfolio and improving economic conditions.

Funding

The Company has established access to a variety of funding alternatives in addition to securitization of its consumer loans. Table 10 illustrates the Company's unsecured funding sources and its collateralized revolving credit facility.

TABLE 10 - FUNDING AVAILABILITY AS OF MARCH 31, 2004

(Dollars or dollar equivalents in millions)	Effective/ Issue Date	Availability [1][6]	Outstanding	Final Maturity[5]
Senior and Subordinated Global Bank Note Program[2]	1/03	$ 2,300	$ 5,236	—
Senior Domestic Bank Note Program[3]	4/97	—	$ 232	—
Revolving Credit Facility	5/03	$ 1,085	—	5/05
Multicurrency Facility[4]	8/00	$ 369	—	8/04
Collateralized Revolving Credit Facility	—	$ 3,629	$ 721	—
Corporation shelf registration	7/02	$ 1,948	N/A	—

(1) All funding sources are non-revolving except for the Multicurrency Facility, the Revolving Credit Facility and the Collateralized Revolving Credit Facility. Funding availability under the credit facilities is subject to compliance with certain representations, warranties and covenants. Funding availability under all other sources is subject to market conditions.

(2) The notes issued under the Global Senior and Subordinated Bank Note Program may have original terms of thirty days to thirty years from their date of issuance. This program was updated in April 2004.

(3) The notes issued under the Senior Domestic Bank Note Program have original terms of one to ten years. The Senior Domestic Bank Note Program is no longer available for issuances.

(4) US dollar equivalent based on the USD/Euro exchange rate as of March 31, 2004.

(5) Maturity date refers to the date the facility terminates, where applicable.

(6) Availability does not include unused conduit capacity related to securitization structures of $8.8 billion at March 31, 2004.

The Senior and Subordinated Global Bank Note Program gives the Bank the ability to issue securities to both U.S. and non-U.S. lenders and to raise funds in U.S. and foreign currencies. The Senior and Subordinated Global Bank Note Program had $5.2 billion outstanding at March 31, 2004. Under the Senior and Subordinated Global Bank Note Program, the Bank issued $500.0 million of ten-year 5.125% fixed rate bank notes in February 2004. Prior to the establishment of the Senior and Subordinated Global Bank Note Program, the Bank issued senior unsecured debt through an $8.0 billion Senior Domestic Bank Note Program, of which $231.5 million was outstanding at March 31, 2004. The Bank did not renew the Senior Domestic Bank Note Program for future issuances following the establishment of the Senior and Subordinated Global Bank Note Program.

In May 2003, the Company terminated the Domestic Revolving Credit Facility and replaced it with a new revolving credit facility providing for an aggregate of $1.0 billion in unsecured borrowings from various lending institutions to be used for general corporate purposes (the "Revolving Credit Facility"). The Revolving Credit Facility is available to the Corporation, the Bank, the Savings Bank and Capital One Bank (Europe) plc; however, the Corporation's availability is limited to $250.0 million. All borrowings under the Revolving Credit Facility are based on varying terms of London InterBank Offering Rate ("LIBOR"). In January 2004, the Company increased the capacity of the Revolving Credit Facility to $1.1 billion.

The Euro 300 million multicurrency revolving credit facility (the "Multicurrency Facility") is available for general purposes of the Bank's business in the United Kingdom. The Corporation and the Bank serve as guarantors of all borrowings by Capital One Bank (Europe), plc under the Multicurrency Facility.

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Internationally, the Company has funding programs available to foreign investors or to raise funds in foreign currencies, allowing the Company to borrow from U.S. and non-U.S. lenders, including foreign currency funding options under the Revolving Credit Facility discussed above. The Company funds its foreign assets by directly or synthetically borrowing or securitizing in the local currency to mitigate the financial statement effect of currency translations. All borrowings under the Multicurrency Facility are based on varying terms of LIBOR.

In April 2002, COAF entered into a revolving warehouse credit facility collateralized by a security interest in certain auto loan assets (the “Collateralized Revolving Credit Facility”). As of March 31, 2004, the Collateralized Revolving Credit Facility had the capacity to issue up to $4.4 billion in secured notes. The Collateralized Revolving Credit Facility has multiple participants each with a separate renewal date. The facility does not have a final maturity date. Instead, each participant may elect to renew the commitment for another set period of time. Interest on the facility is based on commercial paper rates.

As of March 31, 2004, the Corporation had one effective shelf registration statement under which the Corporation from time to time may offer and sell senior or subordinated debt securities, preferred stock, common stock, common equity units and stock purchase contracts.

The Company continues to expand its retail deposit gathering efforts through both direct and broker marketing channels. The Company uses its IBS capabilities to test and market a variety of retail deposit origination strategies, including via the Internet, as well as to develop customized account management programs. As of March 31, 2004, the Company had $23.6 billion in interest-bearing deposits of which $11.5 billion represented large denomination certificates of $100 thousand or more, with original maturities up to ten years.

Table 11 shows the maturities of domestic time certificates of deposit in denominations of $100 thousand or greater (large denomination CDs) as of March 31, 2004.

TABLE 11 - MATURITIES OF LARGE DENOMINATION CERTIFICATES-$100,000 OR MORE

	March 31, 2004	
(Dollars in thousands)	**Balance**	**Percent**
Three months or less	$ 1,066,121	9.25%
Over 3 through 6 months	1,244,434	10.80
Over 6 through 12 months	1,845,217	16.02
Over 12 months through 10 years	7,364,882	63.93
Total	$ 11,520,654	100.00%

Supervision and Regulation

Informal Memorandum of Understanding

As described in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2003, the Company entered into an informal memorandum of understanding with the bank regulatory authorities with respect to certain issues, including capital, allowance for loan losses, finance charge and fee reserve policies, procedures, systems and controls. A memorandum of understanding is characterized by regulatory authorities as an informal action that is not published or publicly available.

Effective January 29, 2004, the Federal Reserve Bank of Richmond, the Office of Thrift Supervision, ("the OTS"), and the Bureau of Financial Institutions of the Commonwealth of Virginia terminated the informal memorandum of understanding. Like other regulated financial institutions, the Company continues to be subject to regular and ongoing general and targeted regulatory exams.

General

The Corporation has filed an application with the Federal Reserve Bank of Richmond pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956, as amended (the "BHC Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company ("BHC") as a result of the Bank's proposal to amend its Virginia charter to remove existing restrictions on its activities and thereby permit the Bank to engage in the full range of lending, deposit-taking and other activities permissible under Virginia and federal banking laws and regulations. The Corporation also filed a notice with the Federal Reserve Bank of Richmond pursuant to 12 U.S.C. § 1843(c)(8) to retain its nonbanking subsidiaries, including the Savings Bank and COAF, upon its conversion to a BHC. The Corporation seeks to effect this change to further diversify its financial service activities and funding base. If approved, the Corporation will register as a BHC with the Federal Reserve Bank of Richmond and become subject to the requirements of the BHC Act, including limiting its nonbanking activities to those that are permissible for a BHC. Such activities include those that are so closely related to banking as to be incident thereto such as consumer lending and other activities that have been approved by the Federal Reserve Bank of Richmond by regulation or order. Certain servicing activities are also permissible for a BHC if conducted for or on behalf of the BHC or any of its affiliates. Impermissible activities for BHCs include activities that are related to commerce such as retail sales of nonfinancial products. The Corporation does not engage in any significant activities impermissible for a BHC and therefore, does not anticipate an immediate change in its activities as a result of this proposal.

For additional discussion, see the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003, Part I, Item 1, "Enterprise Risk Management".

Enterprise Risk Management

Risk is an inherent part of the Company's business and activities. The Company has an ongoing Enterprise Risk Management ("ERM") program designed to ensure appropriate and comprehensive oversight and management of risk. The ERM program operates at all levels in the Company: first, at the most senior levels with the Board of Directors and senior management committees that oversee risk and risk management practices; second, in the centralized departments headed by the Chief Enterprise Risk Officer and the Chief Credit Officer that establish risk management methodologies, processes and standards; and third, in the individual business areas throughout the Company which own the management of risk and perform ongoing identification, assessment and response to risks. The Company's Corporate Audit Services department also assesses risk and the related quality of internal controls and quality of risk management through its audit activities. To facilitate the effective management of risk, the Company utilizes a risk and control framework that includes eight categories of risk: credit, liquidity, market, operational, legal, strategic, reputation and compliance. For additional information on the Company's ERM program, see the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003, Part I, Item 1, "Enterprise Risk Management".

Capital Adequacy

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

The most recent notifications received from the regulators categorized the Bank and the Savings Bank as “well-capitalized.” As of March 31, 2004, there were no conditions or events since these notifications that management believes would have changed either the Bank or the Savings Bank’s capital category.

TABLE 12 - REGULATORY CAPITAL RATIOS

	Regulatory Filing Basis Ratios	Applying Subprime Guidance Ratios	Minimum for Capital Adequacy Purposes	To Be “Well-Capitalized” Under Prompt Corrective Action Provisions
March 31, 2004				
Capital One Bank				
Tier 1 Capital	13.30%	10.76%	4.00%	6.00%
Total Capital	17.53	14.36	8.00	10.00
Tier 1 Leverage	11.03	11.03	4.00	5.00
Capital One, F.S.B.				
Tier 1 Capital	15.54%	12.44%	4.00%	6.00%
Total Capital	16.84	13.73	8.00	10.00
Tier 1 Leverage	14.00	14.00	4.00	5.00
March 31, 2003				
Capital One Bank				
Tier 1 Capital	15.83%	11.48%	4.00%	6.00%
Total Capital	18.11	13.39	8.00	10.00
Tier 1 Leverage	13.55	13.55	4.00	5.00
Capital One, F.S.B.				
Tier 1 Capital	15.71%	11.81%	4.00%	6.00%
Total Capital	17.41	13.39	8.00	10.00
Tier 1 Leverage	14.61	14.61	4.00	5.00

The Bank and Savings Bank treat a portion of their loans as “subprime” under the “Expanded Guidance for Subprime Lending Programs” (“Subprime Guidelines”) issued by the four federal banking agencies and have assessed their capital and allowance for loan losses accordingly. Under the Subprime Guidelines, the Bank and Savings Bank each exceeds the requirements for a “well-capitalized” institution as of March 31, 2004.

For purposes of the Subprime Guidelines, the Company has treated as “subprime” all loans in the Bank’s and the Savings Bank’s targeted “subprime” programs to customers either with a FICO score of 660 or below or with no FICO score. The Bank and the Savings Bank hold on average 200% of the total risk-based capital charge that would otherwise apply to such assets. This results in higher levels of regulatory capital at the Bank and the Savings Bank. As of March 31, 2004 approximately $4.3 billion, or 16.5%, of the Bank’s, and $2.6 billion, or 19.6%, of the Savings Bank’s, on-balance sheet assets were treated as “subprime” for purposes of the Subprime Guidelines.

The reduction in Capital One Bank capital ratios at March 31, 2004, compared with March 31, 2003, resulted from the growth in the managed loan portfolio and dividends made to the Corporation. The Company currently expects to operate each of the Bank and Savings Bank in the future with a total risk-based capital ratio of at least 12%. The Corporation has a number of alternatives available to meet any additional regulatory capital needs of the Bank and the Savings Bank, including substantial liquidity held at the Corporation and available for contribution.

In August 2000, the Bank received regulatory approval and established a subsidiary bank in the United Kingdom. In connection with the approval of its former branch office in the United Kingdom, the Company committed to the Federal Reserve that, for so long as the Bank maintains a branch or subsidiary bank in the United Kingdom, the Company will maintain a minimum Tier 1 Leverage ratio of 3.0%. As of March 31, 2004 and 2003, the Company's Tier 1 Leverage ratio was 13.86% and 12.40%, respectively.

Additionally, federal banking law limits the ability of the Bank and Savings Bank to transfer funds to the Corporation. As of March 31, 2004, retained earnings of the Bank and the Savings Bank of $1.4 billion and $555.3 million, respectively, were available for payment of dividends to the Corporation without prior approval by the regulators. The Savings Bank, however, is required to give the OTS at least 30 days advance notice of any proposed dividend and the OTS, in its discretion, may object to such dividend.

Dividend Policy

Although the Company expects to reinvest a substantial portion of its earnings in its business, the Company also intends to continue to pay regular quarterly cash dividends on its common stock. The declaration and payment of dividends, as well as the amount thereof, are subject to the discretion of the Board of Directors of the Company and will depend upon the Company's results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors. Accordingly, there can be no assurance that the Corporation will declare and pay any dividends. As a holding company, the ability of the Corporation to pay dividends is dependent upon the receipt of dividends or other payments from its subsidiaries. Applicable banking regulations and provisions that may be contained in borrowing agreements of the Corporation or its subsidiaries may restrict the ability of the Corporation's subsidiaries to pay dividends to the Corporation or the ability of the Corporation to pay dividends to its stockholders.

Business Outlook

This business outlook section summarizes the Company's expectations for earnings for 2004, and its primary goals and strategies for continued growth. The statements contained in this section are based on management's current expectations. Certain statements are forward looking, and therefore actual results could differ materially. Factors that could materially influence results are set forth throughout this section and in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003, Part I, Item 1, "Risk Factors".

Earnings Goals

The Company expects fully diluted earnings per share results of between $5.30 and $5.60 in 2004, which represents an increase of between 9% and 15% growth over its earnings of $4.85 per share (fully diluted) in 2003.

The Company's 2004 earnings per share estimate is based on its expectations for continued strong earnings in its U.S. Card segment and an increasing earnings contribution from its non-U.S. card businesses. The Company anticipates its percentage of managed loan growth rate in 2004 to be in the mid-teens, with a gradual shift towards higher credit quality loans and a higher growth rate in its diversification businesses than its U.S. consumer credit card business.

The Company's earnings are a function of its revenues (net interest income and non-interest income), consumer usage, payment and attrition patterns, the credit quality and growth rate of its earning assets (which affects fees, charge-offs and provision expense) and the Company's marketing and operating expenses. Specific factors likely to affect the Company's 2004 earnings are the pace of the shift in its loan portfolio towards higher credit quality loans, changes in consumer payment behavior, and the level of investments in its diversification businesses.

The Company expects to achieve these results based on the continued success of its business strategies and its current assessment of the competitive, regulatory and funding market environments that it faces (each of which is discussed elsewhere in this document), as well as the expectation that the geographies in which the Company competes will not experience significant consumer credit quality erosion, as might be the case in an economic downturn or recession.

Managed Revenue Margin

The Company expects its managed revenue margin (defined as managed net interest income plus managed non-interest income divided by managed average earning assets) to decline somewhat in 2004, although not as significantly as in 2003, as a result of the Company's expected continued shift in its loan portfolio towards higher credit quality loans and the increasing diversification of its products beyond U.S. consumer credit cards. As discussed more fully below, these higher credit quality assets typically have higher average balances than the loans in the Company's current portfolio and, as a result, the Company expects its charge-offs, operating expenses and marketing expenses to be lower in 2004 than in 2003 when measured as a percentage of average managed loans outstanding.

Marketing Investment

The Company expects its marketing expense in 2004 to be higher than in 2003, subject to opportunities it perceives in the competitive market. The Company believes the branded franchise that it is building strengthens and enables its IBS and mass customization strategies across product lines. The Company cautions, however, that an increase or decrease in marketing expense or brand awareness does not necessarily correlate to a comparable increase or decrease in outstanding balances or accounts due to, among other factors, the long-term nature of brand building, customer attrition and utilization patterns, and shifts over time in targeting consumers and/or products that have varying marketing acquisition costs.

The Company expects to vary its marketing across its credit card, installment lending and auto financing products depending on the competitive dynamics of the various markets in which it participates. Currently, among the Company's various product lines, U.S. credit cards are facing the highest degree of competitive intensity. The Company expects to adjust its marketing allocations to target specific product lines that it believes offer attractive response rates and opportunities from time to time.

Due to the nature of competitive market dynamics and therefore the limited periods of opportunity identified by the Company's testing processes, marketing expenditures may fluctuate significantly from quarter to quarter. However, the Company expects its strategy of increasing the proportion of higher credit quality credit cards and diversified products in its loan portfolio will lead to a gradual decline through 2004 in its marketing costs as a percentage of average managed loans, despite the Company's expectation that absolute marketing costs will increase.

Operating Cost Trends

The Company measures operating efficiency using a variety of metrics which vary by specific department or business unit. Nevertheless, the Company believes that overall annual operating costs as a percentage of managed loans (defined as all non-interest expense less marketing, divided by average managed loans) is an appropriate gauge of the operating efficiency of the enterprise as a whole. As the Company continues to shift its managed loan mix towards higher credit quality loans and more diversified businesses, the Company expects operating costs as a percentage of its average managed loans to decline in 2004 as a result of efficiency gains related to, among other things, servicing higher balance, higher credit quality accounts.

Loan Growth

The Company expects managed loans to grow in the mid-teens. It expects this growth to continue to reflect its shift toward higher credit quality loans and more diversified businesses.

Delinquencies and Charge-offs

The Company's charge-off rate improved during the first quarter of 2004 due to its mix shift towards higher credit quality loans and its diversification businesses, seasonality, and due to improving economic conditions. As both mix driven improvements in credit quality and economic conditions begin to stabilize, the Company expects its charge-off rate to remain between 4 and 5% throughout 2004.

The Company's delinquency rate also improved during the first quarter of 2004 due to similar factors. Generally, fluctuations in delinquency levels can have several effects, including changes in the amounts of past due and over-limit fees assessed (lower delinquencies typically cause lower assessments), changes to the non-accrued amounts for finance charges and fees (lower delinquencies typically decrease non-accrued amounts), increased or decreased collections expenses, and/or changes in the allowance for loan losses and the associated provision expenses. The Company's allowance for loan losses in a given period is a function of charge-offs in the period, the delinquency status of those loans and other factors, such as the Company's assessment of general economic conditions and the amount of outstanding loans added to the reported balance sheet during the period.

The Company expects its allowance for loan losses to decline further in 2004. The outlook is based on current and expected charge-off and delinquency rates, as well as expected managed loan growth in the mid-teens, growth in higher credit quality loans and in diversification businesses, and on a continuation of current economic conditions. However, as the year progresses, the downward pressures on the allowance caused by improving credit quality may be overtaken by the upward pressures of loan growth and seasonality, which may cause an increase in the allowance for loan losses in the second half of the year. This outlook is sensitive to general economic conditions, employment trends, and bankruptcy trends, in addition to the Company's loan growth results.

Return on Managed Assets

The Company anticipates that its return on managed assets will remain relatively stable for the full year of 2004, when compared to 2003, as lower costs and charge-offs (both as a percent of managed assets), offset the lower revenue margin resulting from its mix shift toward higher credit quality loans and more diversified loan products. However, the Company expects that this metric will vary quarter-to-quarter throughout 2004.

Impact of Attrition

The Company's earnings are also sensitive to the level of customer and/or balance attrition that it experiences. Fluctuation in attrition levels can occur due to the level of competition within the industries in which the Company competes, as well as competition from outside of the Company's industries, such as consumer debt consolidation that may occur during a period of significant mortgage refinancing.

The Company's Core Strategy: IBS

The Company's core strategy has been, and is expected to continue to be, to apply its proprietary IBS to its consumer lending business and other financial products. The Company continues to seek to identify new product and new market opportunities, and to make investment decisions that are informed by the Company's intensive testing and analysis. The Company's objective is to continue diversifying its consumer finance activities, which may include expansion into additional geographic markets, other consumer loan products, and/or the retail branch banking business.

The Company's lending products and other products are subject to intense competitive pressures that management anticipates will continue to increase as the lending markets mature, and that could affect the economics of decisions that the Company has made or will make in the future in ways that it did not anticipate, test or analyze.

U.S. Card Segment

The Company's U.S. Card segment consisted of $45.3 billion of U.S. consumer credit card receivables as of March 31, 2004, marketed to consumers across the full credit spectrum. The Company's strategy for its U.S. Card business is to gradually increase the proportion of higher credit quality loans in its portfolio and to offer compelling, value-added products to its customers, such as Lifestyles and Rewards credit cards. The Company expects little or no growth in the subprime portion of its credit card portfolio in 2004.

The competitive environment is currently intense for credit card products. Industry mail volume has increased substantially in recent years, resulting in declines in response rates to the Company's new customer solicitations. Additionally, competition has increased the attrition levels in the Company's existing portfolio. Despite this intense competition, the Company continues to believe that its IBS approach will enable it to originate new credit card accounts that exceed the Company's return on investment requirements.

The Company continues to use its IBS to test new credit card products. While the Company continues to market an array of products to customers with a broad range of risk profiles, the Company plans to focus more of its marketing towards those customers with strong credit histories. Products targeted to high credit quality consumer card products tend to be more expensive for the Company to originate, and produce revenues and balances more slowly than credit card products marketed to customers with weaker credit histories.

The Company's credit card products marketed to consumers with less established or higher risk credit profiles continue to experience steady mail volume and increased pricing competition. These products generally feature higher annual percentage rates, lower credit lines, and annual membership fees. They are less expensive to originate and produce revenues more quickly than higher credit quality loans.

Additionally, since these borrowers are generally viewed as higher risk, they tend to be more likely to pay late or exceed their credit limit, which results in additional fees assessed to their accounts. The Company's strategy has been, and is expected to continue to be, to offer competitive annual percentage rates and annual membership, late and overlimit fees on these accounts.

Auto Finance Segment

This segment consisted of $8.8 billion of U.S. auto receivables as of March 31, 2004, marketed across the credit spectrum, via direct and indirect marketing channels. The Company expects to increase its auto loan portfolio more quickly in prime and direct marketed products than through other products or channels in 2004. The Company sold $0.3 billion of automobile receivables in the first quarter of 2004, and expects to sell additional auto finance receivables through the remainder of 2004.

In the fourth quarter of 2002, the Company entered into a forward flow agreement with a purchaser to sell non-prime auto receivables originated through the Company’s network of automobile dealers. These assets are sold at a premium, servicing released with no recourse. Loans sold under this agreement are originated using the Company’s underwriting policies. The Company sold $1.9 billion of automobile receivables, including both prime and non-prime assets, under this and other whole loan sales agreements in 2003 and expects to sell additional auto finance receivables in 2004.

The Company expects that in 2004 the Auto Finance segment will continue to grow as the Company continues to diversify its loan portfolio.

Global Financial Services Segment

This segment primarily consisted of $5.7 billion of installment loan receivables, $3.5 billion of small business receivables originated within the U.S. and $8.3 billion of credit card receivables and installment loans originated outside of the U.S., primarily in the U.K. and Canada, as of March 31, 2004.

The products contained within the Global Financial Services segment play a key role in the asset diversification strategy of the Company, and thus the Company expects the Global Financial Services segment, as a portion of the overall portfolio, will continue to grow loan balances at a faster rate than the US Card segment.

Risk Factors

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

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

This section highlights specific risks that could affect our business and us. Although we have tried to discuss key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. In addition to the factors discussed elsewhere in this report, among the other factors that could cause actual results to differ materially are the following:

We Face Strategic Risks in Sustaining Our Growth and Pursuing Diversification

Our growth strategy is threefold. First, we seek to continue to grow our domestic credit card business, and in particular to grow our upmarket business more quickly than our "subprime" business. Second, we desire to continue to build and grow our automobile finance business. Third, we hope to continue to diversify our business, both geographically and in product mix, by growing our lending business, including credit cards, internationally, principally in the United Kingdom and Canada, and by identifying, pursuing and expanding new business opportunities, such as installment lending. Our ability to grow is driven by the success of our fundamental business plan and our earnings may be adversely affected by our increased focus on upmarket growth (because of the potentially lower margins on such accounts), the level of our investments in new businesses or regions and our ability to successfully apply IBS to new businesses. This risk has many components, including:

- *Customer and Account Growth.* As a business driven by customer finance, our growth is highly dependent on our ability to retain existing customers and attract new ones, grow existing and new account balances, develop new market segments and have sufficient funding available for marketing activities to generate these customers and account balances. Our ability to grow and retain customers is also dependent on customer satisfaction, which may be adversely affected by factors outside of our control, such as postal service and other marketing and customer service channel disruptions and costs.
- *Product and Marketing Development*. Difficulties or delays in the development, production, testing and marketing of new products or services, which may be caused by a number of factors including, among other things, operational constraints, regulatory and other capital requirements and legal difficulties, will affect the success of such products or services and can cause losses arising from the costs to develop unsuccessful products and services, as well as decreased capital availability. In addition, customers may not accept the new products and services offered.
- *Competition*. As explained in more detail below, we face intense competition from many other providers of credit cards and other consumer financial products and services. The competition affects not only our existing businesses, but also our ability to grow these businesses, to develop new opportunities, and to make new acquisitions. As we seek to continue to move upmarket in our portfolio and to diversify beyond U.S. consumer credit cards, pricing competition, in particular, may make such growth and diversification difficult or financially impractical to achieve. See "We Face Intense Competition in All of Our Markets" below.
- *International Risk*. Part of our diversification strategy has been to grow internationally. Our growth internationally faces additional challenges, including limited access to information, differences in cultural attitudes toward credit, changing regulatory and legislative environments, political developments, exchange rates and differences from the historical experience of portfolio performance in the United States and other countries.

We Face Intense Competition in All of Our Markets

We face intense competition from many other providers of credit cards and other consumer financial products and services. In particular, in our credit card activities, we compete with international, national, regional and local bank card issuers, with other general purpose credit or charge card issuers, and to a certain extent, issuers of smart cards and debit cards and providers of other types of financial services (such as home equity lines and other products). We face similar competitive markets in our auto financing and installment loan activities as well as in our international markets. Thus, the cost to acquire new accounts will continue to vary among product lines and may rise. In addition, the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (the "GLB Act"), which permits greater affiliations between banks, securities firms and insurance companies, may increase competition in the financial services industry, including in the credit card business. Increased competition has resulted in, and may continue to cause, a decrease in credit card response rates and reduced productivity of marketing dollars invested in certain lines of business. Other credit card companies may compete with us for customers by offering lower interest rates and fees and/or higher credit limits. Because customers generally choose credit card issuers based on price (primarily interest rates and fees), credit limit and other product features, customer loyalty is limited. We may lose entire accounts, or may lose account balances, to competing card issuers. Our auto financing and installment products also face intense competition on the basis of price. Customer attrition from any or all of our products, together with any lowering of interest rates or fees that we might implement to retain customers, could reduce our revenues and therefore our earnings. We expect that competition will continue to grow more intense with respect to most of our products, including the products we offer internationally.

In addition, some of our competitors may be substantially larger than we are, which may give those competitors advantages, including a more diversified product and customer base, operational efficiencies and more versatile technology platforms. These competitors may also consolidate with other financial institutions in ways that enhance these advantages.

We Face Risk From Economic Downturns

Delinquencies and credit losses in the consumer finance industry generally increase during economic downturns or recessions. Likewise, consumer demand may decline during an economic downturn or recession. Accordingly, an economic downturn (either local or national), can hurt our financial performance as accountholders default on their loans or, in the case of credit card accounts, carry lower balances. Furthermore, because our business model is to lend across the credit spectrum, we make loans to lower credit quality customers. These customers generally have higher rates of charge-offs and delinquencies than do higher credit quality customers. Additionally, as we increasingly market our cards internationally, an economic downturn or recession outside the United States also could hurt our financial performance.

Reputational Risk and Social Factors May Impact our Results

Our ability to originate and maintain accounts is highly dependent upon consumer perceptions of our financial health and business practices. To this end, we carefully monitor internal and external developments for areas of potential reputational risk and have established a Corporate Reputation Committee, a committee of senior management, to assist in evaluating such risks in our business practices and decisions. We have also aggressively pursued a campaign to enhance our brand image and awareness in recent years. Adverse developments in our brand campaign or in any of the areas described above, however, could damage our reputation in both the customer and funding markets, leading to difficulties in generating and maintaining accounts as well as in financing them. Adverse impacts on our reputation may also create difficulties with our regulators.

A variety of social factors may cause changes in credit card and other consumer finance use, payment patterns and the rate of defaults by accountholders and borrowers. These social factors include changes in consumer confidence levels, the public’s perception of the use of credit cards and other consumer debt, and changing attitudes about incurring debt and the stigma of personal bankruptcy and consumer concerns about the practices of certain lenders perceived as participating primarily in the “subprime” market. Our goal is to manage these risks through our underwriting criteria and product design, but these tools may not be sufficient to protect our growth and profitability during a sustained period of economic downturn or recession or a material shift in social attitudes.

We May Face Limited Availability of Financing, Variation in Our Funding Costs and Uncertainty in Our Securitization Financing

In general, the amount, type and cost of our funding, including financing from other financial institutions, the capital markets and deposits, directly impacts our expense in operating our business and growing our assets and therefore, can positively or negatively affect our financial results. A number of factors could make such financing more difficult, more expensive or unavailable on any terms both domestically and internationally (where funding transactions may be on terms more or less favorable than in the United States), including, but not limited to, financial results and losses, changes within our organization, specific events that adversely impact our reputation, changes in the activities of our business partners, disruptions in the capital markets, specific events that adversely impact the financial services industry, counter-party availability, changes affecting our assets, our corporate and regulatory structure, interest rate fluctuations, ratings agencies actions, general economic conditions and accounting and regulatory changes and relations. Our funding risks are also higher due to our lower unsecured debt rating compared to other banking institutions and the proportion of certain accounts in our loan portfolio viewed by some as “subprime.” In addition, our ability to raise funds is strongly affected by the general state of the U.S. and world economies, and may become increasingly difficult due to economic and other factors.

The securitization of consumer loans, which involves the legal sale of beneficial interests in consumer loan balances, is one of our major sources of funding. The consumer asset-backed securitization market in the United States currently exceeds $1.4 trillion, with approximately $131.0 billion issued in 2004. We are a leading issuer in these markets, which have remained stable through adverse conditions. As of March 31, 2004, we had $44.7 billion of securitization funding outstanding, comprising 56% of our total managed liabilities. Despite the size and relative stability of these markets and our position as a leading issuer, if these markets experience difficulties we may be unable to securitize our loan receivables or to do so at favorable pricing levels. Factors affecting our ability to securitize our loan receivables or to do so at favorable pricing levels include, in addition to the above factors, the overall credit quality of our securitized loans, the stability of the market for securitization transactions, and the legal, regulatory, accounting and tax environments governing securitization transactions. If we were unable to continue to securitize our loan receivables at current levels, we would use our investment securities and money market instruments in addition to alternative funding sources to fund increases in loan receivables and meet our other liquidity needs. The resulting change in our current liquidity sources could potentially subject us to certain risks. These risks would include an increase in our cost of funds, an increase in the reserve for possible credit losses and the provision for possible credit losses as more loans would remain on our consolidated balance sheet, and lower loan growth, if we were unable to find alternative and cost-effective funding sources. Also, if we could not continue to remove the loan receivables from the balance sheet we would possibly need to raise additional capital to support loan and asset growth and potentially provide additional credit enhancement.

In addition, the occurrence of certain events may cause the securitization transactions to amortize earlier than scheduled, which would accelerate the need for additional funding. This early amortization could, among other things, have a significant effect on the ability of the Bank and the Savings Bank to meet the capital adequacy requirements as all off-balance sheet loans experiencing such early amortization would have to be recorded on the balance sheet. See page 52 in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity Risk Management” contained in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2003.

We May Experience Changes in Our Debt Ratings

In general, ratings agencies play an important role in determining, by means of the ratings they assign to issuers and their debt, the availability and cost of wholesale funding. We currently receive ratings from several ratings entities for our secured and unsecured borrowings. As private entities, ratings agencies have broad discretion in the assignment of ratings. A rating below investment grade typically reduces availability and increases the cost of market-based funding, both secured and unsecured. A debt rating of Baa3 or higher by Moody's Investors Service, or BBB- or higher by Standard & Poor's and Fitch Ratings, is considered investment grade. Currently, all three ratings agencies rate the unsecured senior debt of the Bank as investment grade. Two of the three ratings agencies rate the unsecured senior debt of the Corporation investment grade, with Standard & Poor's assigning a rating of BB+, or one level below investment grade. The following chart shows ratings for Capital One Financial Corporation and Capital One Bank as of March 31, 2004. As of that date, the ratings outlook for these ratings is "stable."

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

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

We compete for funding with other banks, savings banks and similar companies. Some of these institutions are publicly traded. Many of these institutions are substantially larger, have more capital and other resources and have better debt ratings than we do. In addition, as some of these competitors consolidate with other financial institutions, these advantages may increase. Competition from these institutions may increase our cost of funds. Events that disrupt capital markets and other factors beyond our control could also make our funding sources more expensive or unavailable.

We Face Exposure from Our Unused Customer Credit Lines

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

Our Accounts and Loan Balances Can Be Volatile

Changes in our aggregate accounts or consumer loan balances and the growth rate and composition thereof, including changes resulting from factors such as shifting product mix, amount of actual marketing expenses and attrition of accounts and loan balances, can have a material adverse effect on our financial results. The number of accounts and aggregate total of loan balances of our consumer loan portfolio (including the rate at which it grows) will be affected by a number of factors, including the level of our marketing investment, how we allocate such marketing investment among different products, the rate at which customers transfer their accounts and loan balances to us or away from us to competing lenders. Such accounts and loan balances are also affected by our desire to avoid unsustainable growth rates, and general economic conditions, which may increase or decrease the amount of spending by our customers and affect their ability to repay their loans, and other factors beyond our control.

We Face Risk Related to the Strength of our Operational and Organizational Infrastructure

Our ability to grow is also dependent on our ability to build or acquire the necessary operational and organizational infrastructure, manage expenses as we expand, and recruit management and operations personnel with the experience to run an increasingly complex business. Similar to other large corporations, operational risk can manifest itself at Capital One in many ways, such as errors related to failed or inadequate processes, faulty or disabled computer systems, fraud by employees or persons outside the Company and exposure to external events. In addition, we may outsource some of our operational functions to third parties; these third parties may experience similar errors or disruptions that could adversely impact us and over which we may have limited control. We are also subject to business interruptions arising from events either partially or completely beyond our control such as disruption in the U.S. Postal Service that could adversely impact our response rates and consumer payments. Failure to build and maintain the necessary operational infrastructure can lead to risk of loss of service to customers, legal actions or noncompliance with applicable laws or regulatory standards. Although we have devoted and will continue to devote resources to building and maintaining our operational infrastructure, including our system of internal control, there can be no assurance that we will not suffer losses from operational risks in the future.

We May Experience Increased Delinquencies and Credit Losses

Like other credit card lenders and providers of consumer financing, we face the risk that our customers will not repay their loans. A customer's failure to repay is generally preceded by missed payments. In some instances, a customer may declare bankruptcy prior to missing payments, although this is not generally the case. Customers who declare bankruptcy frequently do not repay credit card or other consumer loans. Where we have collateral, we attempt to seize it when customers default on their loans. The value of the collateral may not equal the amount of the unpaid loan and we may be unsuccessful in recovering the remaining balance from our customers. Rising delinquencies can require us to increase our allowance for loan losses and thus hurt our overall financial performance. In addition, rising delinquencies and rising rates of bankruptcy are often precursors of future charge-offs. High charge-off rates may hurt our overall financial performance if we are unable to raise revenue to compensate for these losses, may adversely impact the performance of our securitizations, and may increase our cost of funds.

Our ability to assess the credit worthiness of our customers may diminish. We market our products to a wide range of customers including those with less experience with credit products and those with a history of missed payments. We select our customers, manage their accounts and establish prices and credit limits using proprietary models and other techniques designed to accurately predict future charge-offs. Our goal is to set prices and credit limits such that we are appropriately compensated for the credit risk we accept for both high and low risk customers. We face a risk that the models and approaches we use to select, manage, and underwrite our customers may become less predictive of future charge-offs due to changes in the competitive environment or in the economy. Intense competition, a weak economy, or even falling interest rates can adversely affect our actual charge-offs and our ability to accurately predict future charge-offs. These factors may cause both a decline in the ability and willingness of our customers to repay their loans and an increase in the frequency with which our lower risk customers defect to more attractive, competitor products. In our auto finance business, declining used-car prices reduce the value of our collateral and can adversely affect charge-offs. We attempt to mitigate these risks by adopting a conservative approach to our predictions of future charge-offs. Nonetheless, there can be no assurance that we will be able to accurately predict charge-offs, and our failure to do so may adversely affect our profitability and ability to grow.

The trends that have caused the reduction of charge-offs over the course of 2003 may not continue. In 2003, we increased the proportion of lower-risk borrowers in our portfolio and increased the proportion of lower risk asset classes, like auto loans, relative to credit cards. In addition, in 2003, our managed loan portfolio grew 19%. Especially in the credit card business, higher growth rates cause lower charge-offs. This is primarily driven by lower charge-offs in the first six to eight months of the life of a pool of new accounts. Finally, although the U.S. economy improved over the course of 2003, there can be no assurance that these trends will continue in the future.

We hold an allowance for expected losses inherent in our existing reported loan portfolio as provided for by the applicable accounting rules. There can be no assurance, however, that such allowances will be sufficient to account for actual losses. We record charge-offs according to accounting practices consistent with accounting and regulatory guidelines and rules. These rules could change and cause our charge-offs to increase for reasons unrelated to the underlying performance of our portfolio. Unless offset by other changes, this could reduce our profits.

We Face Market Risk of Interest Rate and Exchange Rate Fluctuations

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

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

Changes in interest rates also affect the balances our customers carry on their credit cards and affect the rate of pre-payment for installment loan products. When interest rates fall, there may be more low-rate product alternatives available to our customers. Consequently, their credit card balances may fall and pre-payment rates may rise. We can mitigate this risk by reducing the interest rates we charge or by refinancing installment loan products. However, these changes can reduce the overall yield on our portfolio if we do not adequately provide for them in our interest rate hedging strategies. When interest rates rise, there are fewer low-rate alternatives available to customers. Consequently, credit card balances may rise (or fall more slowly) and pre-payment rates on installment lending products may fall. In this circumstance, we may have to raise additional funds at higher interest rates. In our credit card business, we could, subject to legal and competitive constraints, mitigate this risk by increasing the interest rates we charge, although such changes may increase opportunities for our competitors to offer attractive products to our customers and consequently increase customer attrition from our portfolio. See Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Interest Rate Risk Management” contained in the Annual Report on Form 10-k for the year ended December 31, 2003.

We Face the Risk of a Complex and Changing Regulatory and Legal Environment

Due to our significant reliance on certain contractual relationships, including our funding providers, as well as our unique corporate structure and heavily regulated industry, we face a risk of loss due to legal contracts, aspects of or changes in our legal structure, and changes in laws and regulations. We also are subject to an array of banking, consumer lending and deposit laws and regulations that apply to almost every element of our business. Failure to comply with these laws and regulations could result in financial, structural and operational penalties, including receivership. In addition, efforts to comply with these laws and regulations may increase our costs and/or limit our ability to pursue certain business opportunities. See “Supervision and Regulation” above.

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

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

In addition, banking regulators possess broad discretion to issue or revise regulations, or to issue guidance, which may significantly impact us. For example, in 2001, regulators restricted the ability of two of our competitors to provide further credit to higher risk customers due principally to supervisory concerns over rising charge-off rates and capital adequacy. We cannot, however, predict whether and how any new guidelines issued or other regulatory actions taken by the banking regulators will be applied to the Bank or the Savings Bank or the resulting effect on the Corporation, the Bank or the Savings Bank. In addition, certain state and federal regulators are considering or have approved rules affecting certain practices of “subprime” mortgage lenders. There can also be no assurance that these regulators will not also consider or approve additional rules with respect to “subprime” credit card lending or, if so, how such rules would be applied to or affect the Corporation, the Bank or the Savings Bank.

Furthermore, various federal and state agencies and standard-setting bodies may from time to time consider changes to accounting rules or standards that could impact our business practices or funding transactions.

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

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

Our expenses and other costs, such as human resources and marketing expenses, directly affect our earnings results. Many factors can influence the amount of our expenses, as well as how quickly they grow. For example, further increases in postal rates or termination of our negotiated service arrangement with the United States Postal Service could raise our costs for postal service, which is a significant component of our expenses for marketing and for servicing our 46.7 million accounts as of March 31, 2004. As our business develops, changes or expands, additional expenses can arise from asset purchases, structural reorganization, a reevaluation of business strategies and/or expenses to comply with new or changing laws or regulations. Other factors that can affect the amount of our expenses include legal and administrative cases and proceedings, which can be expensive to pursue or defend. In addition, changes in accounting policies can significantly affect how we calculate expenses and earnings.

Item 3. *Quantitative and Qualitative Disclosure of Market Risk*

The information called for by this item is provided under the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003, Item 7A "Quantitative and Qualitative Disclosures about Market Risk". No material changes have occurred during the three month period ended March 31, 2004.

Item 4. *Controls and Procedures*

The Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, of the effectiveness of the design and operation of the Corporation's disclosure controls and internal controls and procedures as of March 31, 2004 pursuant to Exchange Act Rules 13a-14 and 13a-15. These controls and procedures for financial reporting are the responsibility of the Corporation's management. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information relating to the Corporation (including consolidated subsidiaries) required to be included in the Corporation's periodic filings with the Securities and Exchange Commission. The Corporation has established a Disclosure Committee consisting of members of senior management to assist in this evaluation.

Part II Other Information

Item 1. *Legal Proceedings*

The information required by Item 1 is included in this Quarterly Report under the heading "Notes to Condensed Consolidated Financial Statements – Note F – Commitments and Contingencies."

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

(a) The Corporation's 2004 Annual Meeting of Stockholders was held April 29, 2004.

(b) The following directors were elected at such meeting:

W. Ronald Dietz
Lewis Hay, III
Mayo A. Shattuck, III

The following directors will also continue in their office after such meeting:

Richard D. Fairbank
James A. Flick, Jr.
Patrick W. Gross
James V. Kimsey
Stanley Westreich

(c) The following matters were voted upon at such meeting:

Election of Directors	Votes For	Votes Withheld
W. Ronald Dietz	**201,748,834**	**5,758,256**
Lewis Hay, III	**202,938,322**	**4,568,768**
Mayo A. Shattuck	**202,955,251**	**4,551,839**

Item	Votes For	Votes Against	Abstain	Broker Non-Votes
Ratification of the selection of Ernst & Young LLP as independent auditors of the Company for 2004	**200,769,356**	**5,389,266**	**1,348,467**	**1**
Approval and adoption of the Capital One Financial Corporation 2004 Stock Incentive Plan	**147,255,802**	**33,239,292**	**1,741,581**	**25,270,415**

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Item 6. ***Exhibits and Reports on Form 8-K***

(a) Exhibits:

4.1 Copy of 5.125% Notes, due 2014, of Capital One Bank.
10.1 Commitment Increase Letter to Revolving Credit Facility Agreement (filed as Exhibit 10.1 of the Corporation's quarterly report on Form 10-Q for the period ending June 30, 2003), dated January 6, 2004 by Morgan Stanley Senior Funding, Inc.
31.1 Certification of Richard D. Fairbank
31.2 Certification of Gary L. Perlin
32.1 Certification* of Richard D. Fairbank
32.2 Certification* of Gary L. Perlin

(b) Reports on Form 8-K:

On January 21, 2004, the Company furnished under Item 9 – "Regulation FD Disclosure" of Form 8-K on Exhibit 99.1 the Monthly Charge-off and Delinquency Statistics — December 2003, for the month ended December 31, 2003.

On January 21, 2004, the Company furnished under Item 5 – "Other Events" and filed under Item 7 – "Financial Statements, Proforma Financial Information and Exhibits" and Item 9 – "Regulation FD Disclosure" of Form 8-K on Exhibit 99.1, a copy of its earnings press release for the fourth quarter of 2003 that was issued January 21, 2004. This release, which is required under and Item 12 – "Results of Operations and Financial Condition," has been included under Item 9 pursuant to interim reporting guidance provided by the SEC. Additionally, the Company furnished the information in Exhibit 99.2, Fourth Quarter Earnings Presentation for the quarter ended December 31, 2003.

On January 29, 2004, the Company filed under Item 5 – "Other Events" and filed under Item 7 – "Financial Statements, Proforma Financial Information and Exhibits" of Form 8-k, on Exhibit 99.1, a copy of its press release dated January 29, 2004.

On February 10, 2004, the Company furnished under Item 9 – "Regulation FD Disclosure" of Form 8-K on Exhibit 99.1 the Monthly Charge-off and Delinquency Statistics — January 2004, for the month ended January 31, 2004.

On March 9, 2004, the Company furnished under Item 9 – "Regulation FD Disclosure" of Form 8-K on Exhibit 99.1 the Monthly Charge-off and Delinquency Statistics — February 2004, for the month ended February 29, 2004.

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* Information in this furnished herewith shall not be deemed to be "filed" for the purposes of Section 18 of the 1934 Act or otherwise subject to the liabilities of that section.

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SIGNATURES

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

CAPITAL ONE FINANCIAL CORPORATION

(Registrant)

Date: May 7, 2004

/s/ GARY L. PERLIN

Gary L. Perlin
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer
and duly authorized officer
of the Registrant)

PRICING SUPPLEMENT DATED FEBRUARY 3, 2004
(to Offering Circular dated May 8, 2003)

Capital One Bank
(a Bank organized pursuant to the Laws of Virginia)

Global Bank Notes
Issue of US$500,000,000 5.125% Senior Bank Notes due 2014

UNDER THE U.S.$8,000,000,000 GLOBAL BANK NOTE PROGRAM

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Offering Circular dated May 8, 2003. This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

1.	Issuer:	Capital One Bank
2.	(i) Series Number:	5
	(ii) Tranche Number:	Not Applicable
3.	Specified Currency:	USD
4.	Aggregate Principal Amount:	$500,000,000
5.	Original Issue Date and Interest Commencement Date:	February 10, 2004
6.	Stated Maturity Date:	February 15, 2014
7.	Status of the Notes:	Senior
8.	Interest Basis:	5.125 per cent Fixed Rate
9.	Redemption/Payment Basis:	Redemption at par
10.	Change of Interest or Redemption/Payment Basis:	Not Applicable
11.	Redeemable at Option of Issuer/Holder:	Not Applicable
12.	Issue Price:	99.898 per cent of the aggregate principal amount of the Notes
13.	Default Rate (if other than Interest Rate):	Not Applicable (Required only for listed issues)
14.	Authorized Denominations:	Minimum denominations of $100,000 and integral multiples of $1,000 in excess thereof
15.	Listing:	None
16.	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	Fixed Rate Note Provisions:	Applicable
	(i) Interest Rate(s):	5.125 per cent per annum payable semi-annually in arrears
	(ii) Interest Payment Date(s):	August 15 and February 15 (or the next Business Day) in each year commencing on August 15, 2004 up to and including the Stated Maturity Date
	(iii) Day Count Convention:	30/360
	(iv) Interest Determination Date(s):	Not Applicable
	(v) Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
18.	Floating Rate Note Provisions:	Not Applicable
19.	Discount Note (including Zero Coupon Note) Provisions:	Not Applicable
20.	Index/Formula Linked Interest Note Provisions:	Not Applicable
21.	Dual Currency Note Provisions:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

22.	Redeemable at Option of Issuer:	Not Applicable
23.	Repayable at Option of Holders:	Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	
	(i) Bearer Notes:	Not Applicable
	(ii) Registered Notes:	
	— Registrar:	JPMorgan Chase Bank
	— Transfer Agent:	JPMorgan Chase Bank
	— Record Dates:	15th calendar day (whether or not a Business Day) next preceding the applicable Interest Payment Date
25.	Partly Paid Notes:	Not Applicable
26.	Installment Notes:	
	(i) Installment amount(s):	Not Applicable
	(ii) Installment date(s):	Not Applicable
27.	Other terms or specified conditions:	Not Applicable
28.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	Not Applicable
29.	Details of any additional or different Paying Agents, Registrars, London Issuing Agents, Transfer Agents:	Not Applicable

DISTRIBUTION

30.	(i) If syndicated, names of Distribution Agents:	Banc of America Securities LLC, Barclays Capital Inc., Credit Suisse First Boston LLC, Deutsche Bank Securities Inc., J.P. Morgan Securities Inc., Lehman Brothers Inc.
	(ii) Stabilization Manager (if any):	Barclays Capital Inc.
		The Stabilization Manager or any other person acting for the Stabilization Manager may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilization Manager or any agent of the Stabilization Manager to do this. Such stabilization, if commenced, may be discontinued at any time and must be terminated after a limited period. Such stabilization, if any, must comply with all applicable laws, regulations and rules.

31.	If non-syndicated, name of Distribution Agent:	Not Applicable
32.	Additional selling restrictions:	Not Applicable

OPERATIONAL INFORMATION

33.	CUSIP Code:	14040EHK1
34.	ISIN Code:	US14040EHK10
35.	Common Code:	018580993
36.	Clearing System(s):	DTC, Euroclear and Clearstream, Luxembourg
37.	Delivery:	Delivery against payment
38.	Redenomination applicable:	Redenomination not applicable
39.	“Business Day” definition (if other than as defined in the Offering Circular):	Not Applicable
40.	Governing Law:	New York

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: /s/ Tom Feil

Tom Feil, Vice President, Capital Markets Duly Authorized

REGISTERED GLOBAL NOTE

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

THIS NOTE IS A GLOBAL SECURITY AND, UNLESS AND UNTIL THIS NOTE IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, IT MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY THE NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THE OBLIGATION EVIDENCED BY THIS NOTE IS A DIRECT, UNCONDITIONAL, UNSECURED AND UNSUBORDINATED GENERAL OBLIGATION OF THE BANK. THE OBLIGATIONS EVIDENCED BY THIS NOTE RANK *PARI PASSU* WITH ALL OTHER UNSECURED AND UNSUBORDINATED INDEBTEDNESS OF THE BANK, EXCEPT OBLIGATIONS, INCLUDING ITS DEPOSIT LIABILITIES, THAT ARE SUBJECT TO ANY PRIORITIES OR PREFERENCES UNDER APPLICABLE LAW. THIS NOTE DOES <u>NOT</u> EVIDENCE A DEPOSIT AND IS <u>NOT</u> INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (“*FDIC*”) OR ANY OTHER INSURER OR GOVERNMENT AGENCY.

THIS NOTE IS ISSUABLE ONLY IN MINIMUM DENOMINATIONS OF US$100,000 AND INTEGRAL MULTIPLES OF US$1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS NOTE IS REQUIRED TO HOLD A BENEFICIAL INTEREST OF US$100,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF US$1,000 IN EXCESS THEREOF OF THIS NOTE AT ALL TIMES.

No. R- __________

CUSIP No.: 14040EHK1

ISIN No.: US14040EHK10

Common Code: 018580993

REGISTERED

CAPITAL ONE BANK
GLOBAL BANK NOTE
(Registered Global Note)

ORIGINAL ISSUE DATE:	February 10, 2004	PRINCIPAL AMOUNT: $500,000,000
		SPECIFIED CURRENCY:
MATURITY DATE:	February 15, 2014	☒ U.S. dollar
☒ FIXED RATE NOTE		☐ Other:
☐ FLOATING RATE NOTE		

CAPITAL ONE BANK, a bank organized under the laws of the Commonwealth of Virginia (the "*Bank*"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal amount specified above as adjusted in accordance with Schedule 1 hereto, on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest thereon in accordance with the provisions set forth on the reverse hereof under the caption "Fixed Rate Interest Provisions," as such provisions may be modified or supplemented by the terms and provisions set forth in the Pricing Supplement attached hereto (the "*Pricing Supplement*"), and (to the extent that the payment of such interest shall be legally enforceable) to pay interest at the Interest Basis specified in the Pricing Supplement on any overdue principal and premium, if any, and on any overdue installment or interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Note (or any predecessor Note) is registered at the close of business on the fifteenth calendar day (whether or not a Business Day (as defined on the reverse hereof)) next preceding the applicable Interest Payment Date (unless otherwise specified in the Pricing Supplement) (each, a "*Regular Record Date*"*); provided*, *however*, that interest payable at Maturity (as defined on the reverse hereof) will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date, and shall instead be payable to the person in whose name this Note (or any predecessor Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the "*Special Record Date*") to be fixed by the Registrar (as defined below), notice whereof shall be given by the Registrar to the holder of this Note not less than 15 calendar days prior to such Special Record Date.

This Note is one of a duly authorized issue of the Bank's notes due from 30 days to 30 years or more from date of issue (the "*Notes*"). The Notes are issued in accordance with the Amended and Restated Global Agency Agreement, dated as of May 8, 2003 (the "*Global Agency Agreement*"), among the Bank and JPMorgan Chase Bank as paying agent (the "*Domestic Paying Agent*") and as registrar (the "*Registrar*"), JPMorgan Chase Bank, London Branch, as paying agent (the "*London Paying Agent*") and as issuing agent (the "*London Issuing Agent*") and J.P. Morgan Bank Luxembourg S.A. as transfer agent (the "*Transfer Agent*") and as paying agent (the "*Luxembourg Paying Agent*," together with the Domestic Paying Agent and the London Paying Agent, the "*Paying Agents*," and each individually, a "*Paying Agent*") and Kredietbank S.A. Luxembourgeoise as listing agent (the "*Listing Agent*"). The terms Domestic Paying Agent, Registrar, London Paying Agent, London Issuing Agent, Luxembourg Paying Agent, Transfer Agent and Listing Agent shall include any additional or successor agents appointed in such capacities by the Bank.

The Bank shall cause to be kept at the office of the Registrar designated below a register (the register maintained in such office or any other office or agency of the Registrar, herein referred to as the "*Note Register*") in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration of Notes issued in registered form and of transfers and exchanges of such Notes. The Bank has initially appointed JPMorgan Chase Bank, acting through its principal office at 4 New York Plaza, 15th Floor, New York, New York 10004, as "Registrar" for the purpose of registering Notes issued in registered form and transfers and exchanges of such Notes. The Bank reserves the right to rescind such designation at any time, and to transfer such function to another bank or financial institution.

The transfer of this Note is registrable in the Note Register, upon surrender of the Note for registration of transfer at the office of the Registrar or any transfer agent maintained for that purpose, accompanied by a written instrument of transfer in form satisfactory to the Registrar (or such transfer agent), duly executed by the registered holder hereof or its attorney duly authorized in writing.

The total amount of principal, premium, if any, and interest due on this Note on any Interest Payment Date or at Maturity, as the case may be, will be made available to the relevant Paying Agent on such date.

Reference is made to the further provisions of this Note set forth on the reverse hereof and in the Pricing Supplement, which further provisions shall for all purposes have the same effect as if set forth at this place. In the event of any conflict between the provisions contained herein or on the reverse hereof and the provisions contained in the Pricing Supplement attached hereto, the latter shall control. References herein to "this Note," "hereof," "herein" and comparable terms shall include the Pricing Supplement attached hereto.

Unless the certificate of authentication hereon has been executed by the Registrar, by manual signature of an authorized signatory, this Note shall not be valid or obligatory for any purpose.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to the conflicts of law principles thereof.

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

CAPITAL ONE BANK

By: /s/ Stephen Linehan

Name: Stephen Linehan
Title: Senior Vice President and Treasurer

Dated:

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Global Agency Agreement.

JPMORGAN CHASE BANK,
as Registrar

By: /s/ Guy Marzella

Name: Guy Marzella
Title: AVP

REVERSE OF NOTE

The Notes are issuable only in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof (or equivalent denominations in other currencies, subject to any other statutory or regulatory minimums). This Note, and any Note issued in exchange or substitution herefor or in place hereof, or upon registration of transfer, exchange or partial redemption or repayment of this Note, may be issued only in an Authorized Denomination specified in the Pricing Supplement.

Unless otherwise provided herein (or in the Pricing Supplement), the principal of, and premium, if any, and interest on, this Note are payable in the Specified Currency indicated on the face hereof (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts, in such other coin or currency of the country which issued such Specified Currency as at the time of such payment is legal tender for the payment of debts).

JPMorgan Chase Bank shall initially act as domestic paying agent (the "*Domestic Paying Agent*") and the Bank has initially appointed JPMorgan Chase Bank, London Branch, acting through its specified office in London as London paying agent (the "*London Paying Agent*") and J.P. Morgan Chase Bank Luxembourg S.A. as Luxembourg paying agent (the "*Luxembourg Paying Agent*" and together with the Domestic Paying Agent and the London Paying Agent, the "*Paying Agents*," and each individually, a "*Paying Agent*," and such terms shall include any additional or successor paying agents appointed pursuant to the Global Agency Agreement (as defined on the face hereof)) in respect of the Notes. This Note may be presented or surrendered for payment, and notices, designations or requests in respect of payments with respect to this Note may be served, at the office or agency of any Paying Agent maintained for that purpose. The Bank may at any time rescind any designation of a Paying Agent, appoint any additional or successor Paying Agents or approve a change in the office through which a Paying Agent acts.

Fixed Rate Interest Provisions

The Bank will pay interest on each Interest Payment Date specified in the Pricing Supplement and on the Maturity Date or any redemption date (each such Maturity Date, redemption date and the date on which the principal or an installment of principal is due and payable by declaration of acceleration as provided herein being hereinafter referred to as a "Maturity" with respect to the principal repayable on such date), commencing on the first Interest Payment Date next succeeding the Original Issue Date specified on the face hereof (or if the Original Issue Date is between a Record Date and the Interest Payment Date immediately following such Record Date, on the Second Interest Payment Date following the Original Issue Date), at the Interest Rate per annum specified in the Pricing Supplement, until the principal hereof is paid or duly made available for payment.

Payments of interest hereon will include interest accrued from and including the most recent Interest Payment Date to which interest on this Note (or any predecessor Note) has been paid or duly provided for (or, if no interest has been paid or duly provided for, from and including the Original Issue Date) to but excluding the relevant Interest Payment Date or Maturity, as the case may be. Unless otherwise specified in the Pricing Supplement, interest payments for this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months.

Unless otherwise provided herein, if any Interest Payment Date or the Maturity of this Note falls on a day which is not a Business Day, the related payment of principal of, or premium, if any, or interest on, this Note shall be made on the next succeeding Business Day with the same force and effect as if made on the date such payments were due, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity, as the case may be.

Redemption

This Note will not be subject to any sinking fund. This Note may not be redeemed prior to the Maturity Date except as provided below in the event that any Additional Amounts (as defined below) are required to be paid by the Bank with respect to this Note.

This Note will not be repayable at the option of the holder hereof prior to the Maturity Date.

Additional Amounts

All payments of principal (and premium, if any) and interest with respect to this Note will be made without withholding or deduction at source for, or on account of, any present or future taxes, fees, duties, assessments or governmental charges of whatever nature imposed or levied by the United States or any political subdivision or taxing authority thereof or therein, unless such withholding or deduction is required by (i) the laws (or any regulations or rulings promulgated thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (ii) an official position regarding the application, administration, interpretation or enforcement of any such laws, regulations or rulings including, without limitation, a holding by a court of competent jurisdiction or by a taxing authority in the United States or any political subdivision thereof). If a withholding or deduction at source is required, the Bank will (subject to certain limitations and exceptions set forth below) pay to the holder hereof on behalf of an owner of a beneficial interest herein (an "*Owner*") who is a United States Alien (as defined below) such additional amounts ("*Additional Amounts*") as may be necessary so that every net payment of principal (and premium, if any) or interest made to the holder hereof on behalf of such Owner, after such withholding or deduction, will not be less than the amount provided for in this Note with respect to such Owner's interest; *provided, however*, that the Bank shall not be required to make any payment of Additional Amounts for or on account of:

(a) any tax, fee, duty, assessment or other governmental charge which would not have been imposed but for (i) the existence of any present or former connection between such Owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Owner, if such Owner is an estate, trust, partnership or corporation) and the United States, including, without limitation, such Owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or being or having been present or engaged in trade or business therein or having had a permanent establishment therein, or (ii) the presentation of this Note for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(b) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, fee, duty, assessment or other governmental charge imposed by reason of such Owner's past or present status as a personal holding company, foreign personal holding company, passive foreign investment company or controlled foreign corporation with respect to the United States or as a corporation which accumulates earnings to avoid United States federal income tax;

(d) any tax, fee, duty, assessment or other governmental charge which is payable otherwise than by withholding from payments of principal or interest with respect to this Note;

(e) any tax, fee, duty, assessment or other governmental charge imposed on interest received by anyone who owns (actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Bank;

(f) any tax, fee, duty, assessment or other governmental charge required to be withheld by any Paying Agent from any payment of principal (and premium, if any) or interest with respect to this Note, if such payment can be made without such withholding by any other Paying Agent with respect to this Note;

(g) any tax, fee, duty, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder hereof or of such Owner, if such compliance is required by statute or by regulation of the United States Treasury Department as a precondition to relief or exemption from such tax, assessment or other governmental charge;

(h) any tax, assessment or other governmental charge imposed as a result of such holder of the Notes or Coupon being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business;

(i) any tax, assessment or other governmental charge required to be imposed or withheld on a payment to an individual and such deduction or withholding is required to be made pursuant to any European Union Directive on the taxation of savings implementing the political agreement reached at the ECOFIN Council meeting of January 21, 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(j) any combination of items (a), (b), (c), (d), (e), (f), (g), (h) and (i);

nor shall Additional Amounts be paid to any holder of this Note on behalf of any Owner who is a fiduciary or partnership or other than the sole Owner to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or Owner would not have been entitled to payment of the Additional Amounts had such beneficiary, settlor, member or Owner been the sole Owner of this Note.

As used herein, the term "United States Alien" means any corporation, individual, fiduciary or partnership that for United States federal income tax purposes is a foreign corporation, nonresident alien individual, nonresident alien fiduciary of a foreign estate or trust, or foreign partnership one or more members of which is a foreign corporation, nonresident alien individual or nonresident alien fiduciary of a foreign estate or trust.

Whenever in this Note there is mentioned, in any context, the payment of the principal of (or premium, if any) or interest on, or in respect of, this Note, such mention shall be deemed to include mention of the payment of Additional Amounts provided for herein to the extent that, in such context, Additional Amounts are, were or would be payable in respect hereof pursuant to the provisions of this Note and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

Except as specifically provided herein (or in the Pricing Supplement) (i) neither the Bank nor any Paying Agent shall be required to make, any payment with respect to any tax, fee, duty, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein; (ii) a Paying Agent on behalf of the Bank shall have the right, but not the duty, to withhold from any amounts otherwise payable to a holder of this Note such amount as is necessary for the payment of any such taxes, fees, duties, assessments or other governmental charges; and (iii) if such an amount is withheld, the amount payable to the holder of this Note shall be the amount otherwise payable reduced by the amount so withheld.

The Bank may redeem this Note in whole but not in part at any time at a redemption price equal to the principal amount hereof, together with accrued interest to but excluding the date fixed for redemption, if the Bank shall determine, based upon a written opinion of independent counsel selected by the Bank, that (i) as a result of any change in or amendment to the laws (or any regulations or rulings promulgated hereunder) of the United States (or of any political subdivision or taxing authority thereof or therein affecting taxation) or the relevant taxing jurisdiction (or political subdivision or taxing authority thereof or therein affecting taxation), or (ii) any change in application or official interpretation of any such laws, regulations or rulings, which amendment or change is effective on or after the Original Issue Date, the Bank would be required to pay Additional Amounts on the occasion of the next payment due with respect to such Note.

Notice of intention to redeem this Note, in whole but not in part, pursuant to the immediately preceding paragraph will be given to the registered holder of this Note at least once not less than 30 days nor more than 60 days prior to the date fixed for redemption, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the effective date of such change or amendment and that at the time notice of such redemption is given, such obligation to pay such Additional Amounts remains in effect and cannot be avoided by the Bank’s taking reasonable measures available to it. From and after any redemption date, if monies for the redemption of this Note shall have been made available for redemption on such redemption date, this Note shall cease to bear interest, and the only right of the holder of this Note shall be to receive payment of the principal amount hereof and all unpaid interest accrued to such redemption date.

Events of Default, Acceleration of Maturity

In respect of this Note, the occurrence of any of the following events shall constitute an "Event of Default" with respect to this Note:

(i) default in the payment of any interest (including any Additional Amounts) with respect to this Note when due, which continues for 30 calendar days;

(ii) default, in the payment of any principal of, or premium, if any, on, this Note when due;

(iii) whatever the reason for such and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body, the entry by a court having jurisdiction in the premises of:

(a) a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law; or

(b) a decree or order appointing a conservator, receiver, liquidator, assignee, trustee, sequestrator or any other similar official of the Bank, or of substantially all of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(iv) the commencement by the Bank of a voluntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or the commencement of any bankruptcy or insolvency case or proceeding, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any applicable United States federal or state law, or the consent by the Bank to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Bank or of substantially all of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the taking of corporate action by the Bank in furtherance of any such action.

If an Event of Default shall occur and be continuing, the holder of this Note may declare the principal amount of, and accrued interest and premium, if any, on, this Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal amount (and premium, if any) and accrued interest shall become immediately due and payable. Any Event of Default with respect to this Note may be waived by the holder thereof.

This Note contains no limitation on the amount of senior debt, deposits or other obligations that rank senior to this Note that may be hereafter incurred or assumed by the Bank.

Miscellaneous

As used herein, "Business Day" means, unless otherwise specified in the Pricing Supplement, a day which is both a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in The City of New York, McLean, Virginia, and London.

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

In case this Note shall at any time become mutilated, defaced, destroyed, lost or stolen, the London Issuing Agent or the Registrar, as applicable, shall issue a replacement Note of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Note or in lieu of this Note if it is destroyed, lost or stolen, *provided* the applicant therefor prior to the issuance of such replacement Note shall have (i) furnished it with such evidence (including the serial number of the Note) and such indemnity as the Bank and the Registrar or the London Issuing Agent, as the case may be, may require, (ii) in the case of any mutilated or defaced Note, surrendered such Note, and (iii) paid such costs as may be incurred in connection with the preparation and delivery of a new Note. If any Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, defaced, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated or defaced Note) upon compliance by the holder with the provisions of this paragraph.

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

The Notes are issued in accordance with the Global Agency Agreement. The Notes may be amended by the Bank, and the Global Agency Agreement may be amended by the parties thereto, (i) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, (ii) to make any further modifications of the terms of the Global Agency Agreement necessary or desirable to allow for the issuance of any additional Notes (which modifications shall not be materially adverse to holders of outstanding Notes) or (iii) in any manner which the Bank (and, in the case of the Global Agency Agreement, the parties thereto) may deem necessary or desirable and which shall not materially adversely affect the interests of the holders of the Notes, to all of which each holder of Notes shall, by acceptance thereof, be deemed to have consented; *provided, however*, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby, (1) change the Maturity Date with respect to any Note or reduce or cancel the amount payable at Maturity; (2) reduce the amount payable or modify the payment date for any interest with respect to any Note or vary the method of calculating the rate of interest with respect to any Note; (3) reduce any Minimum Interest Rate and/or Maximum Interest Rate with respect to any Note; (4) modify the currency in which payments under any Note are to be made; (5) change the obligation of the Bank to pay Additional Amounts with respect to Notes; or (6) reduce the percentage in principal amount of outstanding Notes the consent of the holders of which is necessary to modify the provisions of the Notes or to waive any future compliance or past default. Any instrument given by or on behalf of any holder of a Note in connection with any consent to any such modification, amendment or waiver shall be irrevocable once given and shall be conclusive and binding on all subsequent holders of such Note. Any modifications, amendments or waivers to this Agreement or the provisions of the Notes, receipts, talons or coupons shall be conclusive and binding on all holders of Notes, receipts, talons or coupons, whether or not notation of such modifications, amendments or waivers is made upon the Notes, receipts, talons or coupons. It will not be necessary for the consent of the holders of Notes to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

No provision of this Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of (and premium, if any) and interest on, and any Additional Amounts with respect to, this Note in the Specified Currency indicated on the face hereof at the times, places and rate herein prescribed.

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

If this Note is in registered form, prior to due presentment of this Note for registration of transfer, the Bank, Domestic Paying Agent, Registrar, London Paying Agent, Luxembourg Paying Agent, Transfer Agent and Listing Agent (collectively, together with any successors thereto, the "*Agents*") or any agent of the Bank or the Agents may treat the holder in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Bank, the Agents nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Note shall be in writing and addressed to the Bank at Capital One Bank, 1680 Capital One Drive, McLean, Virginia 22102, USA, Attention: Treasurer; telephone: (703) 720-1000; and facsimile: (703) 720-2165 or to such other address of the Bank as the Bank may notify the holders of the Notes.

Exhibit 10.1

Morgan Stanley Senior Funding Inc.
1585 Broadway
New York NY 10036
tel 212 761 4000

[GRAPHIC]

January 6, 2004

Capital One Bank
Capital One, F.S.B.
Capital One Financial Corporation
Capital One Bank (Europe) plc
1680 Capital One Dr.
McClean, VA 22101-2980

JPMorgan Chase Bank, as Administrative Agent
Loan & Agency Services
1111 Fanin, 10th Floor
Houston, TX 77002
Attention: Mr. Jeremy M. Jones

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of May 5, 2003 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., Capital One Bank (Europe) plc, the lenders party thereto and JPMorgan Chase Bank, as Administrative Agent. Terms used but not defined herein have the respective meanings given to such terms in the Credit Agreement.

This Commitment Increase Letter is delivered pursuant to Section 2.10 of the Credit Agreement.

If, prior to the execution and delivery of this Commitment Increase Letter, the undersigned is a Lender already party to the Credit Agreement, then the undersigned hereby agrees that, effective as of the Commitment Increase Date set forth below, the Commitment of such Lender set forth below is increased by an amount equal to the "Commitment Increase Amount" set forth below.

If, prior to the execution and delivery of this Commitment Increase Letter, the undersigned is not a Lender already party to the Credit Agreement, then the undersigned hereby agrees that, effective as of the Commitment Increase Date set forth below, the undersigned shall have a Commitment in an amount equal to the "Commitment Increase Amount" set forth below.

Morgan Stanley Senior Funding Inc.
1585 Broadway
New York NY 10036
tel 212 761 4000

[GRAPHIC]

Commitment Increase Date:	January 29, 2004
Commitment Increase Amount:	$85,000,000

The undersigned agrees with the Borrowers and the Administrative Agent that the undersigned will, from and after the Commitment Increase Date, be a "Lender" under the Credit Agreement (if not already a "Lender" thereunder) and perform all of the obligations of the undersigned as a "Lender" under the Credit Agreement in respect of the Commitment Increase Amount (together with, if already a "Lender" under the Credit Agreement, the Commitment(s) of the Lender in effect immediately prior to the execution and delivery of this Commitment Increase Letter).

This Commitment Increase Letter shall be governed by and construed in accordance with the law of the State of New York without reference to choice of law doctrine.

Very truly yours,

Morgan Stanley Senior Funding

By /s/ Jaap L. Tonckens

Title: Jaap L. Tonckens
Vice President
Morgan Stanley Senior Funding

CERTIFICATION FOR
QUARTERLY REPORT ON FORM 10-Q
OF CAPITAL ONE FINANCIAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

I, Richard D. Fairbank, certify that:

1. I have reviewed this quarterly report of Capital One Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

1\. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2004

CAPITAL ONE FINANCIAL CORPORATION

By: /s/ RICHARD D. FAIRBANK

Richard D. Fairbank
Chairman of the Board, Chief Executive
Officer and President

Exhibit 31.2

CERTIFICATION FOR
QUARTERLY REPORT ON FORM 10-Q
OF CAPITAL ONE FINANCIAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

I, Gary L. Perlin, certify that:

1. I have reviewed this quarterly report of Capital One Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

1\. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2004

CAPITAL ONE FINANCIAL CORPORATION

By: /s/ GARY L. PERLIN

Gary L. Perlin
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Richard D. Fairbank, Chairman and Chief Executive Officer of Capital One Financial Corporation, a Delaware corporation ("Capital One"), do hereby certify that:

The Quarterly Report on Form 10-Q for the period ended March 31, 2004 (the "Form 10-Q") of Capital One fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Capital One.

Dated: May 7, 2004

By: /s/ RICHARD D. FAIRBANK

Richard D. Fairbank
Chairman of the Board, Chief Executive Officer and President

Exhibit 32.2

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Gary L. Perlin, Executive Vice President and Chief Financial Officer of Capital One Financial Corporation, a Delaware corporation (“Capital One”), do hereby certify that:

The Quarterly Report on Form 10-Q for the period ended March 31, 2004 (the “Form 10-Q”) of Capital One fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Capital One.

Dated: May 7, 2004

By: /s/ GARY L. PERLIN

Gary L. Perlin
Executive Vice President and
Chief Financial Officer