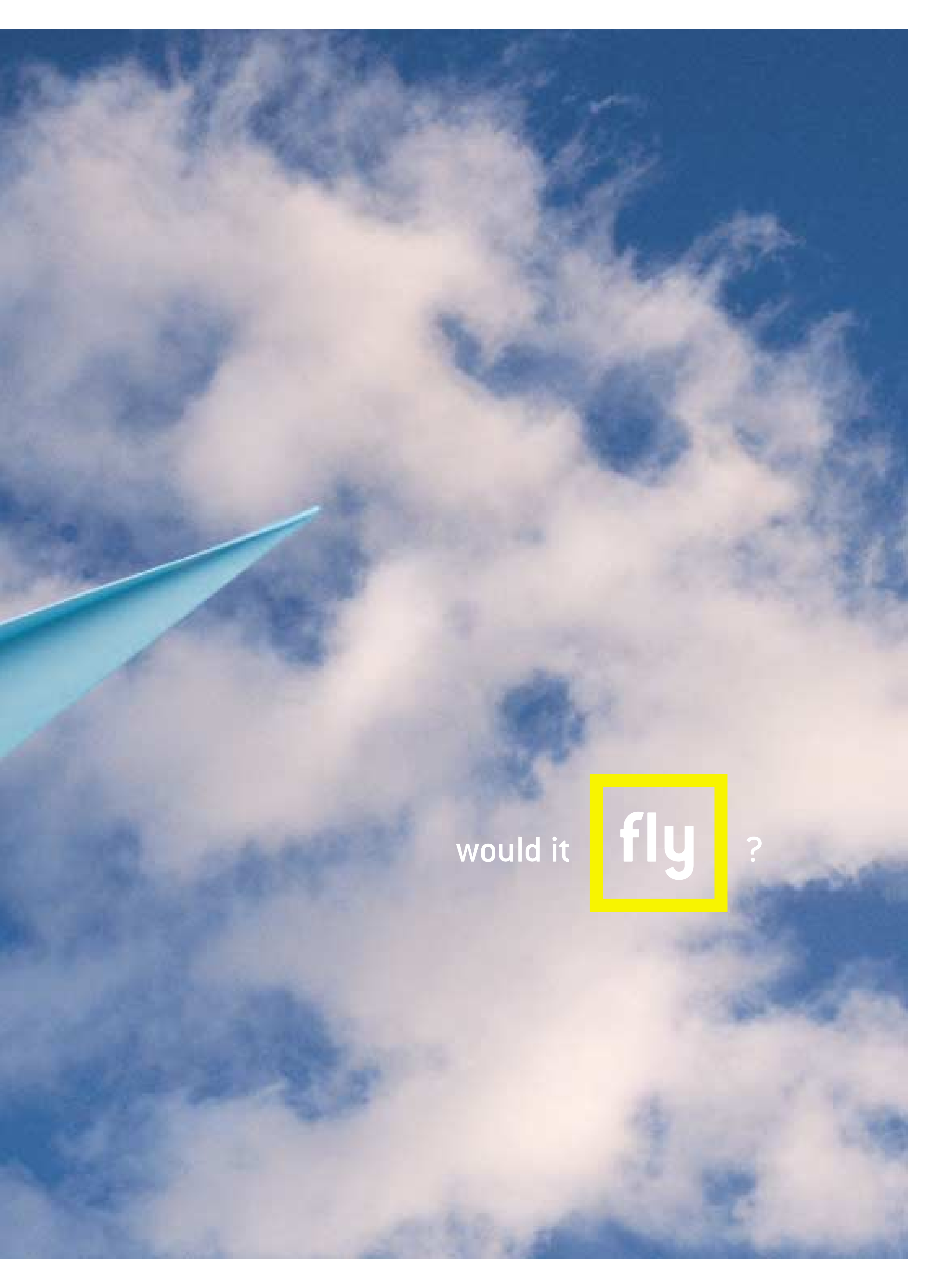
SOARING
Capital One Annual Report
2000

The
sky
is not the limit.

SINCE ITS INITIAL PUBLIC OFFERING IN 1994, CAPITAL ONE FINANCIAL CORPORATION HAS BEEN ONE OF THE FASTEST-GROWING, MOST PROFITABLE COMPANIES IN THE UNITED STATES.

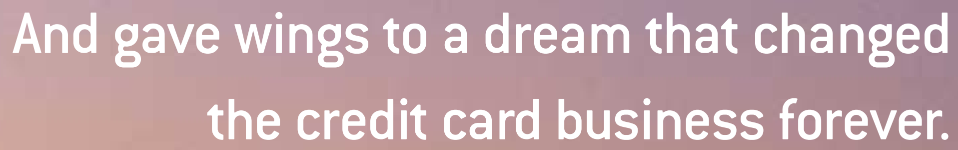
A leader in the direct marketing of credit cards and other financial services, **Capital One has 34 million customers**, one of the world's largest consumer franchises. The Company's proprietary information-based strategy (IBS) enables it to test ideas before rolling them out and to tailor the terms of each account to each customer's needs and preferences. With IBS, the Company has created innovative products and services that have reduced its financial risk while delivering superior value to consumers. A holding company based in Falls Church, Virginia, Capital One Financial Corporation operates through two principal subsidiaries, Capital One Bank and Capital One, F.S.B. Its common stock trades on the New York Stock Exchange under the symbol COF.

A dozen years ago
we had an idea and wondered:


would it fly ?

It **soared**.

Richard D. Fairbank
Chairman and Chief Executive Officer



Nigel W. Morris
President and Chief Operating Officer

Our year in a word: soaring.

ADDED A RECORD 10 MILLION CUSTOMERS. A REMARKABLE PACE OF INNOVATION—OVER 45,000 TESTS. MORE THAN $900 MILLION IN MARKETING INVESTMENT. TWICE AS MANY SOLICITATIONS AS OUR NEAREST COMPETITOR. FRONTRUNNER ON THE INTERNET. STRONG GROWTH IN NEW LINES OF BUSINESS. STRATEGIC ALLIANCES WITH MARKET LEADERS IN OTHER INDUSTRIES. RANKED AMONG THE BEST IN CREDIT QUALITY. FIRST MAJOR TELEVISION ADVERTISING CAMPAIGN.

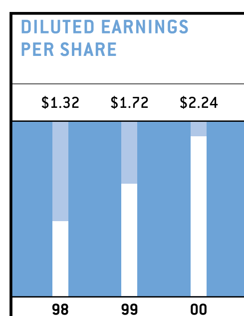
Our achievements last year began over a decade ago with a dream of using technology to transform the way financial services were marketed to consumers: We believed we could benefit consumers by customizing products to meet individual needs on a mass scale, replacing "one-size-fits-all" offers with unique solutions for every person. We also believed we could create an environment where incredibly talented people could take risks, innovate and spread their wings. Some thought this dream wouldn't fly. But today it is clear that the dream has taken flight. Earnings growth and return on equity in 2000 topped 20% for the sixth consecutive year, a record equaled by only a handful of the country's 10,000 public companies. It has been especially gratifying to sustain this peak financial performance while fulfilling our mission to democratize credit, making it accessible to many more customers. We said after our initial public offering that we would serve customers across the financial spectrum, offering the lowest price in each market segment without compromising profitability, and we kept our word.

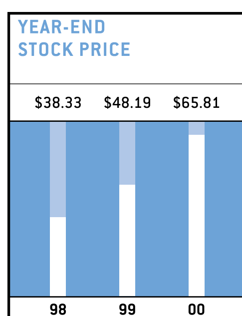
The long-term success and the achievements of the year just ended have been driven by our proprietary information-based strategy (IBS). IBS follows a rigorous scientific testing protocol to find successful products. Major marketing investments are held in reserve until promising ideas can be proven. IBS also supports superior risk analysis, which we use to mass customize our products, structuring every account to the customer's preferences and risk profile.

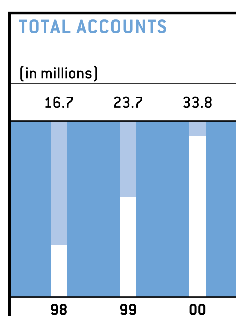
Before IBS, the credit card industry managed risk by charging all customers the same high interest rates and refusing credit to those who did not fit narrow credit parameters. IBS transformed the industry. Annual interest rates for most cardholders fell by one-third, and the door was opened wide, giving millions of consumers their first access to credit.

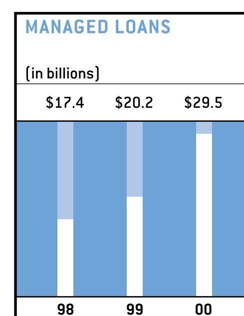
Financial Summary

Year Ended December 31 (Dollars in Thousands, Except Per Share Data)	2000	1999	Percent Change
EARNINGS:			
Net interest income	**$ 1,588,885**	$ 1,052,602	50.95%
Non-interest income	**3,034,416**	2,372,359	27.91
Marketing	**906,147**	731,898	23.81
Other non-interest expense	**2,241,510**	1,733,098	29.34
Net income	**469,634**	363,091	29.34
Tax Rate	**38.0%**	37.1%	2.43
PER COMMON SHARE:			
Basic earnings	**$ 2.39**	$ 1.84	29.89
Diluted earnings	**2.24**	1.72	30.23
Dividends	**0.11**	0.11	0.00
Book value as of year-end	**9.94**	7.69	29.26
Market prices			
Year-end	**65 13/16**	48 3/16	36.58
High	**73 5/23**	60 1/6	21.69
Low	**32 1/16**	35 4/5	–10.44
Price/Earnings ratio	**29.38**	28.02	4.86
RATIOS:			
Return on average assets	**3.09%**	3.28%	–5.79
Return on average equity	**27.61**	25.79	7.06
Capital to assets	**10.91**	12.10	–9.83
Allowance for loan losses to loans as of year-end	**3.49**	3.45	1.16
MANAGED CONSUMER LOAN DATA:			
Average reported loans	**$ 11,487,776**	$ 7,667,355	49.83
Average off-balance sheet loans	**11,147,086**	10,379,558	7.39
Average total managed loans	**22,634,862**	18,046,913	25.42
Year-end reported loans	**15,112,712**	9,913,549	52.45
Year-end off-balance sheet loans	**14,411,314**	10,323,039	39.60
Year-end total managed loans	**29,524,026**	20,236,588	45.89
Year-end total accounts (000s)	**33,774**	23,705	42.48
Yield	**17.83%**	17.59%	-1.36
Net interest margin	**10.71**	10.83	-1.11
Delinquency rate (30+ days)	**5.23**	5.23	0.00
Net charge-off rate	**3.90**	3.85	1.30
YEAR-END REPORTED DATA:			
Assets	**$ 18,889,341**	$ 13,336,443	41.64
Earning assets	**16,971,741**	11,882,402	42.83
Average assets	**15,209,585**	11,085,013	37.21
Average earning assets	**13,252,033**	9,694,406	36.70
Common equity	**1,962,514**	1,515,607	29.49
Associates (FTEs)	**19,247**	15,426	24.77
Shares outstanding (000s)	**197,369**	197,046	0.16
Common stockholders of record	**10,019**	9,738	2.89









Since then we have extended IBS to installment loans, auto finance, money market accounts and certificates of deposit. We are a price leader in all of these markets, each of which offers us a large platform for growth. New businesses open new fields for innovation. Deposit accounts, for example, give Capital One an alternative source of funding—one more buffer against downdrafts in corporate credit markets. Deposits at year-end totaled $8.4 billion, financing 25% of our total managed assets.

We have recently taken IBS into other industries through strategic alliances with Kmart® and BMG Entertainment.® The Kmart alliance, launched in September, brought Capital One more than one million new customers during the last quarter of the year. The co-branded Visa® card and rewards program for BMG Entertainment offer numerous benefits to music fans. In South Africa, we are marketing credit cards and other products through a joint venture with Nedcor®, one of the country's leading financial institutions. We view these alliances as prototypes for ventures with market leaders in other industries.

To maximize the benefits of the learning and momentum generated by IBS, we are now committing substantial resources to building Capital One's brand through advertising, sponsorship and other customer "touch points." These new efforts are guided by our long-standing conviction that the best way to build a brand is to live it. We want Capital One to be the brand consumers prefer when they're in the market for financial services.

IBS has made Capital One a formidable competitor and—just as we dreamed—a transformational force in financial services. With 34 million customers, we have one of the world's largest consumer franchises. The Company also has used IBS to build enormous operational strength. IBS provides the ultimate precision tools for risk management, which we have used to achieve one of the industry's lowest charge-off rates, increasing our marketing opportunities and improving our financial performance. We use IBS to track and continuously improve customer service and operating efficiency. In human resources, IBS helps us identify the strongest job candidates and reduce recruiting costs.

Our associates even take Capital One's passion for achieving measurable results to the work they do with community organizations. They have chosen to focus on helping children at risk, and in 2000 more than half of them volunteered in Capital One-sponsored community programs, collectively contributing in excess of 50,000 hours of service. They facilitate interagency collaboration, share technology and resources, and use their analytical and managerial know-how to assist in evaluating and refining community services. Early in 2001, social investments made by Capital One and its associates were recognized with one of the most prestigious honors in American philanthropy, **a Points of Light Foundation® Award for Excellence in Corporate Community Service.**

Thanks to IBS, which lets us quickly scale our business up or down, we believe we are well prepared for a slowdown in the economy or a decline in consumer credit quality. Our financial structure is the strongest it has ever been. We also have built-in buffers that will mitigate the impact of a recession on earnings, for example, we have the lowest average credit lines in the industry, which limits potential losses per account. In addition, the steady diversification of our product lines and our customer base has increased financial stability while expanding possibilities for growth.

In 2000, we significantly reduced the cost of serving each customer, from $89 to $81, for an annualized saving of more than $200 million, and we did it without compromising service quality, associate morale or operating flexibility.

From our associates, from the marketplace, from Wall Street and from other quarters, there is growing recognition that Capital One is a topflight company. That's what we have always worked for. And from the beginning we've had a destination clearly in mind. It's a beacon just past the horizon, invisible to the naked eye but not beyond the dreams of the people of Capital One. Over the next year they will strive for another record financial performance (with earnings up 30%, by our estimate). And they will carry out thousands of new test flights so that Capital One can continue to break through price and risk barriers, carrying consumers and shareholders to new heights. ■

Richard D. Fairbank,
Chairman and Chief Executive Officer

Nigel W. Morris,
President and Chief Operating Officer

Where careers take

.

Empowered, Impassioned Associates

There's only one way to take a great idea all the way to the moon: with truly great people.

Recruiting winners is a top priority of Capital One's management. Once we find them, we make sizable investments to develop their talent, and we give them room to grow.

Capital One is an innovation laboratory where entrepreneurs start microbusinesses and test ideas that add value for consumers. We reward associates' initiative and performance, and our rapid growth has meant opportunity for rapid advancement.

We care about the balance between work and family. We believe that our communities have the potential for greatness, and we support community organizations with management expertise, thousands of volunteers and millions of dollars.

For three years running, Capital One has made *FORTUNE®* magazine's 100 Best Companies to Work For list. In London, *The Sunday Times®* ranked Capital One third (out of fifty) on its first list of Britain's Best Companies to Work For.

We've also received major awards for innovation, customer service, information technology and financial management.

But the prize we value most is given every year by our associates, when they tell an independent survey firm what they think of Capital One. They consistently give us high marks across the board—in opportunities, rewards and career development.

Most of our 20,000 associates have a financial stake in the Company's success through our stock purchase or stock option programs.

Between our initial public offering in 1994 and year-end 2000, Capital One's stock price appreciated at a compound annual rate of 52%, reflecting a financial track record that is one of the best in corporate America.

94% of our associates are proud to work for Capital One.

ur strategy has intercontinental range. We serve customers in the U.K., France, Canada and South Africa, and we're exploring elsewhere.

Capital One's international loan portfolio now stands at $3 billion, and the world's rising demand for affordable, flexible and convenient credit presents a huge opportunity for further growth. In the U.K., where we began marketing our products in 1996, we have transformed consumer credit by using data and technology to customize each account. Capital One now has 2,000 associates in Nottingham, and as our business has grown, we have gained recognition as one of the country's most desirable employers.

Building a global business is a long-term proposition, and we expect to enter some countries by joining hands with a local company. In South Africa, for instance, we are marketing our products and services with Nedcor®, which serves many segments of the financial services market.

Our experience strongly suggests that our information-based strategy (IBS) has great export potential. The extraordinary adaptability of IBS allows us to design desirable, profitable products for a multitude of cultures and market conditions. ■

Perfection
SWAN
HOTEL
TAXI
73
ARRIVA
R620 LGO

A High-Flying Brand

In the past we prospered by riding the coattails of two of the world's best-known brands, Visa® and MasterCard,® but as we increase our Internet marketing and expand our product line, we need a powerful brand of our own.

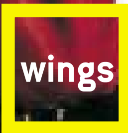
Marketing professionals say a brand is a promise that when kept creates a preference. That definition hits home at Capital One, because keeping promises—to customers, associates and shareholders—is one of our fundamental values. We know that the only way to build a brand is to live it, and our way of living it is to deliver the best products, the best prices, the best service, straight talk and fair dealing. To ensure that we do deliver, we continuously monitor and refine the quality of our interactions with customers.

To people frustrated with the experience of managing personal financial issues, Capital One is the financial service brand that provides empowering solutions with refreshing clarity. We provide valuable products and efficient, caring service, giving our customers more control over their finances and leaving them with more money and more time to enjoy it.

A strong brand will differentiate Capital One from the host of other MasterCard® and Visa® issuers. Our brand-building efforts have already increased customer response rates. Brand strength also increases our attractiveness to the star talent we recruit and strengthens our reputation as a championship team. And it makes us a highly desirable partner for business alliances and joint ventures.

The Capital One brand is young and rapidly gaining altitude.

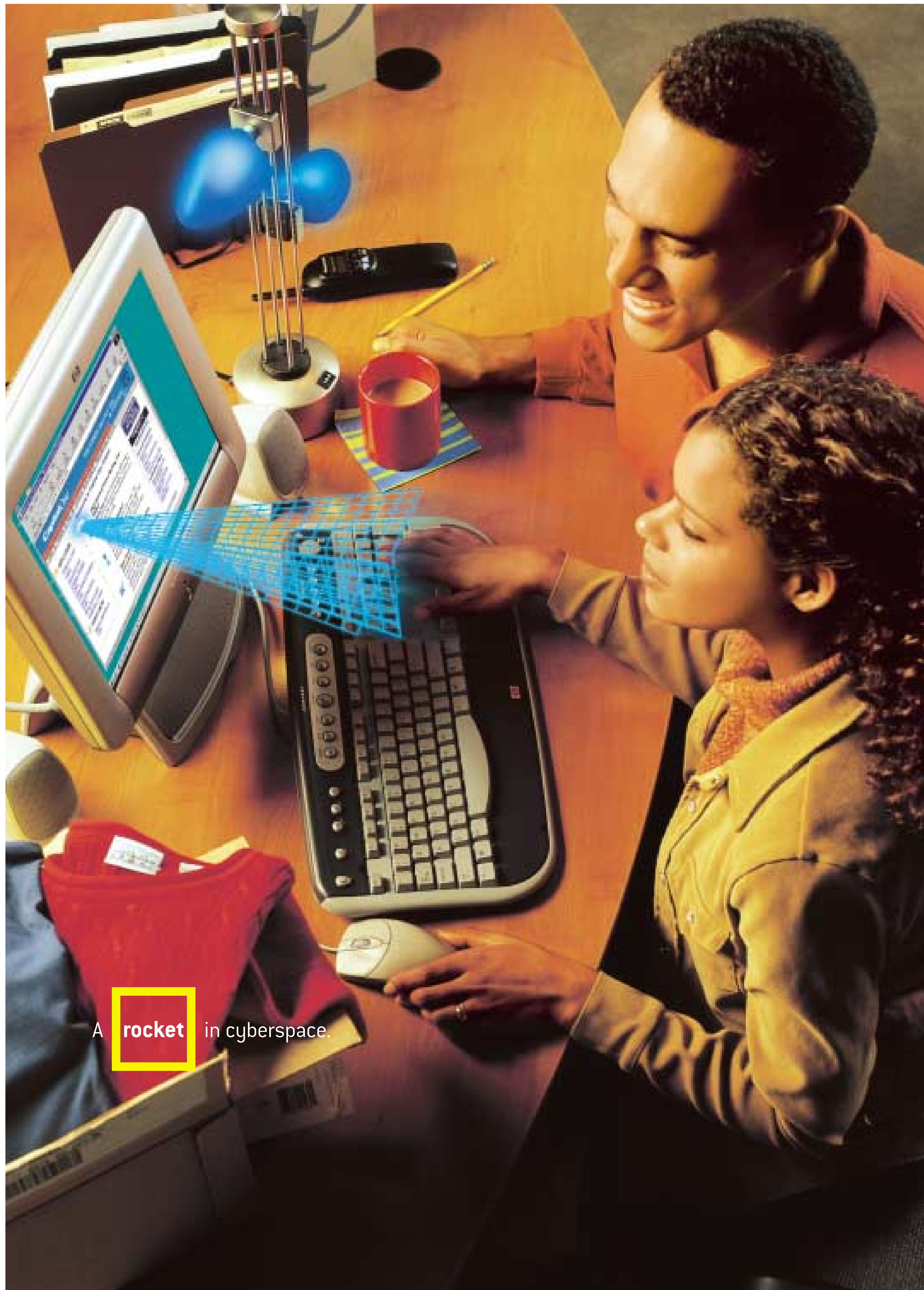
Spreading our wings.



Our flight plan for diversification: zero in on information-rich businesses where we can add value for consumers through testing, customization and direct marketing.

In 1998 we acquired Summit Acceptance Corporation, a small, well-run auto finance company that offered us an opportunity to put our information-based strategy to work in an industry still run on traditional lines. We renamed the business Capital One Auto Finance, which strengthens the Capital One brand by taking it into another major sector of financial services. By applying our analytics to the business and by linking it to our technology and customers, we have dramatically accelerated growth and profitability. Loans outstanding have tripled since the acquisition. Mass customization allows us to offer borrowers low prices and quick approvals, ending white knuckles and holding patterns for car buyers.

Our installment loan business has also been a win-win for consumers and Capital One, with our prices beating the industry's by a wide margin. ■


A rocket in cyberspace.

Charting The Right Course On The Internet

We stayed in test-pilot mode on the Internet for 18 months. A year after our take-off, we're Number One.

During the fourth quarter of 2000, capitalone.com had more visitors than any other financial services Web site. Consumers surfing the Internet for the best deals in financial services were attracted to Capital One because of its low prices and high-quality products. By year-end, we had originated one million accounts and were providing service online to more than two million customers.

Capital One is well situated to benefit from the evolution of the Internet. Our information-based strategy and our strengths in information technology are major competitive advantages online.

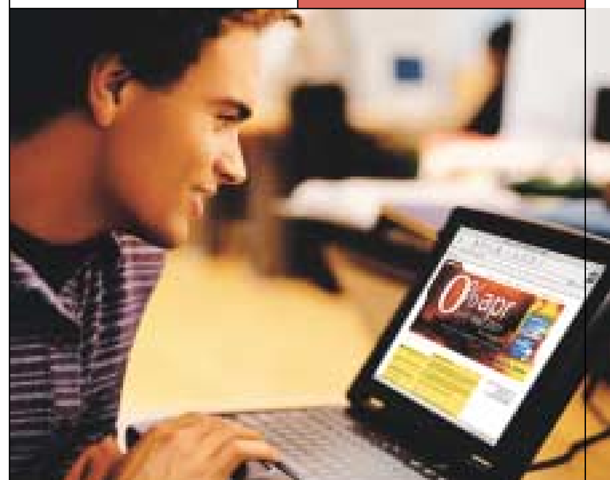
The credit card, our flagship product, is the currency of the Internet. It is used in nearly every online purchase.

With our powerful information technology, we can process an online application, customize credit terms and issue an account number in seconds.

And the Internet channel provides us with one more stream of data for marketing, innovation and risk management.

Online service gives Capital One customers the power to track their spending, payments, balances and credit limits, features they can use to manage their cash flow. As they check their accounts online, we can offer them other products and services.

Online we can market in real time.



Awards and accolades for

Capital One

2001

Forbes® Platinum 400, Best Big Companies in America
FORTUNE® America's Most Admired Companies
The Sunday Times®, *50 Best Companies to work for*
Points of Light Foundation® Award for Excellence in Corporate Community Service
Community Trustee award, Business Leadership Fairfax (Virginia)
Training® magazine Training Top 50

2000

Information Week® Innovation 100
Information Week® Innovation in IT 500
CIO® Customer Excellence 100
Business Week® Web Smart 50
Business Week® Top Performers in the S&P 500®
FORTUNE 100 Fastest Growing Companies™
Debuts at #405 on FORTUNE 500®
One of five best in *United States Banker*® largest 100 banking companies
Card Marketing™ Card Marketer of the Year
FORTUNE® 100 Best Companies to Work For™
Computerworld® 100 Best Places to Work in IT

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Selected Financial and Operating Data

Year Ended December 31 (Dollars in Thousands, Except Per Share Data)	2000	1999	1998	1997	1996	Five-Year Compound Growth Rate
INCOME STATEMENT DATA:						
Interest income	**$ 2,389,902**	$ 1,593,484	$ 1,111,536	$ 717,985	$ 660,483	39.19%
Interest expense	**801,017**	540,882	424,284	341,849	294,999	26.28
Net interest income	**1,588,885**	1,052,602	687,252	376,136	365,484	50.18
Provision for loan losses	**718,170**	382,948	267,028	262,837	167,246	61.24
Net interest income after provision for loan losses	**870,715**	669,654	420,224	113,299	198,238	43.70%
Non-interest income	**3,034,416**	2,372,359	1,488,283	1,069,130	763,424	40.56
Non-interest expense	**3,147,657**	2,464,996	1,464,586	876,976	713,182	44.63
Income before income taxes	**757,474**	577,017	443,921	305,453	248,480	30.82
Income taxes	**287,840**	213,926	168,690	116,072	93,213	32.22
Net income	**$ 469,634**	$ 363,091	$ 275,231	$ 189,381	$ 155,267	29.99
Dividend payout ratio	**4.43%**	5.69%	7.46%	10.90%	13.24%	
PER COMMON SHARE:						
Basic earnings	**$ 2.39**	$ 1.84	$ 1.40	$ .96	$ .78	30.15%
Diluted earnings	**2.24**	1.72	1.32	.93	.77	28.47
Dividends	**.11**	.11	.11	.11	.11	
Book value as of year-end	**9.94**	7.69	6.45	4.55	3.72	
Average common shares	**196,477,624**	197,593,371	196,768,929	198,209,691	198,682,893	
Average common and common equivalent shares	**209,448,697**	210,682,740	208,765,296	202,952,592	201,075,699	
SELECTED AVERAGE BALANCES:						
Securities	**$ 1,764,257**	$ 2,027,051	$ 1,877,276	$ 1,650,961	$ 1,147,079	12.88%
Allowance for loan losses	**(402,208)**	(269,375)	(214,333)	(132,728)	(83,573)	41.89
Total assets	**15,209,585**	11,085,013	8,330,432	6,568,937	5,568,960	27.95
Interest-bearing deposits	**5,339,474**	2,760,536	1,430,042	958,885	1,046,122	47.31
Borrowings	**6,870,038**	6,078,480	5,261,588	4,440,393	3,623,104	18.40
Stockholders' equity	**1,700,973**	1,407,899	1,087,983	824,077	676,759	25.64
SELECTED YEAR-END BALANCES:						
Securities	**$ 1,859,029**	$ 1,968,853	$ 2,080,980	$ 1,475,354	$ 1,358,103	
Consumer loans	**15,112,712**	9,913,549	6,157,111	4,861,687	4,343,902	
Allowance for loan losses	**(527,000)**	(342,000)	(231,000)	(183,000)	(118,500)	
Total assets	**18,889,341**	13,336,443	9,419,403	7,078,279	6,467,445	
Interest-bearing deposits	**8,379,025**	3,783,809	1,999,979	1,313,654	943,022	
Borrowings	**6,976,535**	6,961,014	5,481,593	4,526,550	4,525,216	
Stockholders' equity	**1,962,514**	1,515,607	1,270,406	893,259	740,391	
MANAGED CONSUMER LOAN DATA:						
Average reported loans	**$ 11,487,776**	$ 7,667,355	$ 5,348,559	$ 4,103,036	$ 3,651,908	31.33%
Average off-balance sheet loans	**11,147,086**	10,379,558	9,860,978	8,904,146	7,616,553	12.63
Average total managed loans	**22,634,862**	18,046,913	15,209,537	13,007,182	11,268,461	20.02
Interest income	**4,034,882**	3,174,057	2,583,872	2,045,967	1,662,990	27.62
Year-end total managed loans	**29,524,026**	20,236,588	17,395,126	14,231,015	12,803,969	23.10
Year-end total accounts (000s)	**33,774**	23,705	16,706	11,747	8,586	40.59
Yield	**17.83%**	17.59%	16.99%	15.73%	14.76%	
Net interest margin	**10.71**	10.83	9.91	8.81	8.16	
Delinquency rate	**5.23**	5.23	4.70	6.20	6.24	
Net charge-off rate	**3.90**	3.85	5.33	6.59	4.24	
OPERATING RATIOS:						
Return on average assets	**3.09%**	3.28%	3.30%	2.88%	2.79%	
Return on average equity	**27.61**	25.79	25.30	22.98	22.94	
Equity to assets (average)	**11.18**	12.70	13.06	12.55	12.15	
Allowance for loan losses to loans as of year-end	**3.49**	3.45	3.75	3.76	2.73	

Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

Capital One Financial Corporation (the "Corporation") is a holding company whose subsidiaries provide a variety of products and services to consumers using its Information-Based Strategy ("IBS"). The principal subsidiaries are Capital One Bank (the "Bank"), which offers credit card products, and Capital One, F.S.B. (the "Savings Bank"), which offers consumer lending products (including credit cards) and deposit products. The Corporation and its subsidiaries are collectively referred to as the "Company." As of December 31, 2000, the Company had 33.8 million accounts and $29.5 billion in managed consumer loans outstanding and was one of the largest providers of MasterCard and Visa credit cards in the world.

The Company's profitability is affected by the net interest income and non-interest income earned on earning assets, credit quality, the level of marketing expense and operating efficiency. The Company's revenues consist primarily of interest income on consumer loans and securities, and non-interest income consisting of servicing income on securitized loans, fees (such as annual membership, cash advance, cross-sell, interchange, overlimit, and other fee income, collectively "fees") and gains on the securitizations of loans. The Company's primary expenses are the costs of funding assets, credit losses, operating expenses (including salaries and associate benefits), marketing expenses and income taxes.

Significant marketing expenses (e.g., advertising, printing, credit bureau costs and postage) to implement the Company's new product strategies are incurred and expensed prior to the acquisition of new accounts while the resulting revenues are recognized over the life of the acquired accounts. Revenues recognized are a function of the response rate of the initial marketing program, usage and attrition patterns, credit quality of accounts, product pricing and effectiveness of account management programs.

EARNINGS SUMMARY

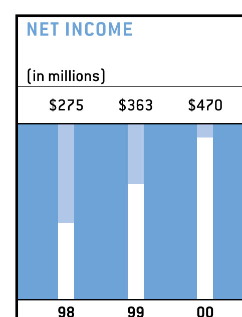
The following discussion provides a summary of 2000 results compared to 1999 results and 1999 results compared to 1998 results. Each component is discussed in further detail in subsequent sections of this analysis.

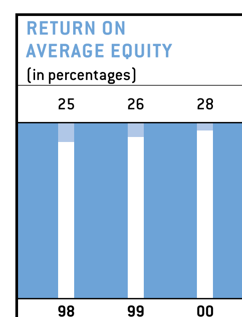
Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Net income of $469.6 million, or $2.24 per share, for the year ended December 31, 2000, compares to net income of $363.1 million, or $1.72 per share, in 1999. The $106.5 million, or 29%, increase in net income is primarily the result of an increase in both asset and account volumes and an increase in net interest margin. Net interest income increased $536.3 million, or 51%, as average earning assets increased 37% and the net interest margin increased to 11.99% from 10.86%. The provision for loan losses increased $335.2 million, or 88%, as the average reported consumer loans increased 50% combined with the reported net charge-off rate increase to 4.64% in 2000 from 3.59% in 1999. Non-interest income increased $662.1 million, or 28%, primarily due to the increase in average accounts of 41%. Increases in marketing expenses of $174.2 million, or 24%, and salaries and benefits expense of $243.2 million, or 31%, reflect the increase in marketing investment in existing and new product opportunities and the cost of operations to manage the growth in the Company's accounts and products offered. Average managed consumer loans grew 25% for the year ended December 31, 2000, to $22.6 billion from $18.0 billion for the year ended December 31, 1999, and average accounts grew 41% for the same period as a result of the continued success of the Company's marketing and account management strategies.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Net income of $363.1 million, or $1.72 per share, for the year ended December 31, 1999, compares to net income of $275.2 million, or $1.32 per share, in 1998. The 32% increase in net income of $87.9 million is primarily the result of an increase in both asset and account volumes and an increase in net interest margin. Net interest income increased $365.4 million, or 53%, as average earning assets increased 34% and the net interest margin increased to 10.86% from 9.51%. The provision for loan losses increased $115.9 million, or 43%, as the average reported consumer loans increased 43%, offset by the reported net charge-off rate decrease to 3.59% in 1999 from 4.24% in 1998.





Non-interest income increased $884.1 million, or 59%, primarily due to the increase in average managed accounts of 42%. Increases in marketing expenses of $285.6 million, or 64%, and salaries and benefits expense of $303.8 million, or 64%, reflect the increase in marketing investment in existing and new product opportunities and the cost of operations to manage the growth in the Company's accounts and products offered. Average managed consumer loans grew 19% for the year ended December 31, 1999, to $18.0 billion from $15.2 billion for the year ended December 31, 1998, and average accounts grew 42% for the same period to 19.6 million from 13.8 million as a result of the continued success of the Company's marketing and account management strategies.

MANAGED CONSUMER LOAN PORTFOLIO

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

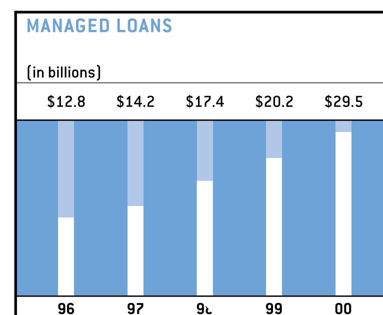
The Company's managed consumer loan portfolio is comprised of reported and off-balance sheet loans. Off-balance sheet loans are those which have been securitized and accounted for as sales in accordance with Statement of Financial Accounting Standards ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 125"), and are not assets of the Company. Therefore, those loans are not shown on the balance sheet. Effective April 1, 2001, the Company will adopt the accounting provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 140"), a replacement of SFAS 125. SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and, as of December 31, 2000, requires certain additional disclosures, however, most of the provisions of SFAS 125 have been carried forward without amendment. The adoption of SFAS 140 is not expected to have a material effect on the results of the Company's operations.

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

table 1: MANAGED CONSUMER LOAN PORTFOLIO

Year Ended December 31 (In Thousands)	**2000**	1999	1998	1997	1996
YEAR-END BALANCES:					
Reported consumer loans	**$ 15,112,712**	$ 9,913,549	$ 6,157,111	$ 4,861,687	$ 4,343,902
Off-balance sheet consumer loans	**14,411,314**	10,323,039	11,238,015	9,369,328	8,460,067
Total managed consumer loan portfolio	**$ 29,524,026**	$ 20,236,588	$ 17,395,126	$ 14,231,015	$ 12,803,969
AVERAGE BALANCES:					
Reported consumer loans	**$ 11,487,776**	$ 7,667,355	$ 5,348,559	$ 4,103,036	$ 3,651,908
Off-balance sheet consumer loans	**11,147,086**	10,379,558	9,860,978	8,904,146	7,616,553
Total managed consumer loan portfolio	**$ 22,634,862**	$ 18,046,913	$ 15,209,537	$ 13,007,182	$ 11,268,461

Since 1990, the Company has actively engaged in consumer loan securitization transactions. Securitization involves the transfer by the Company of a pool of loan receivables to an entity created for securitizations, generally a trust or other special purpose entity ("the trusts"). The credit quality of the receivables is supported by credit enhancements, which may be in various forms including a letter of credit, a cash collateral guaranty or account, or a subordinated interest in the receivables in the pool. Certificates ($14.4 billion outstanding as of December 31, 2000) representing beneficial interests in the receivables are sold to the public through an underwritten offering or to private investors in private placement transactions. The Company receives the proceeds of the sale.



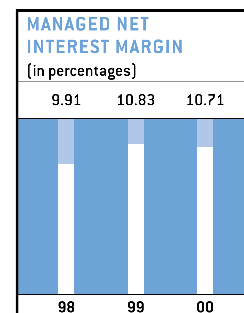
The Company retains an interest in the trusts ("seller's interest") equal to the amount of the receivables transferred to the trust in excess of the principal balance of the certificates. The Company's interest in the trusts varies as the amount of the excess receivables in the trusts fluctuates as the accountholders make principal payments and incur new charges on the selected accounts. The securitization generally results in the removal of the receivables, other than the seller's interest, from the Company's balance sheet for financial and regulatory accounting purposes.

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

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

Certificateholders in the Company's securitization program are generally entitled to receive principal payments either through monthly payments during an amortization period or in one lump sum after an accumulation period. Amortization may begin sooner in certain circumstances, including if the annualized portfolio yield (consisting, generally, of interest and fees) for a three-month period drops below the sum of the certificate rate payable to investors, loan servicing fees and net credit losses during the period.

Prior to the commencement of the amortization or accumulation period, all principal payments received on the trusts' receivables are reinvested in new receivables to maintain the principal balance of certificates. During the amortization period, the investors' share of principal payments is paid to the certificateholders until they are paid in full. During the accumulation period, the investors' share of principal payments is paid into a principal funding account designed to accumulate amounts so that the certificates can be paid in full on the expected final payment date.



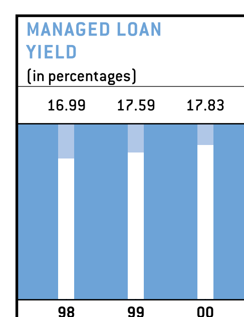


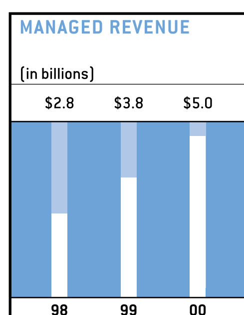
Table 2 indicates the impact of the consumer loan securitizations on average earning assets, net interest margin and loan yield for the periods presented. The Company intends to continue to securitize consumer loans.

table 2: OPERATING DATA AND RATIOS

Year Ended December 31 (Dollars in Thousands)	2000	1999	1998
REPORTED:			
Average earning assets	**$ 13,252,033**	$ 9,694,406	$ 7,225,835
Net interest margin	**11.99%**	10.86%	9.51%
Loan yield	**19.91**	19.33	18.75
MANAGED:			
Average earning assets	**$ 24,399,119**	$ 20,073,964	$ 17,086,813
Net interest margin	**10.71%**	10.83%	9.91%
Loan yield	**17.83**	17.59	16.99

RISK ADJUSTED REVENUE AND MARGIN

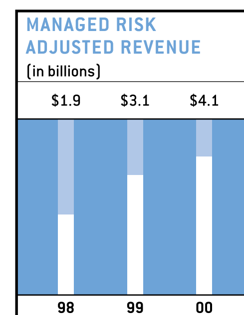
The Company's products are designed with the objective of maximizing revenue for the level of risk undertaken. Management believes that comparable measures for external analysis are the risk adjusted revenue and risk adjusted margin of the managed portfolio. Risk adjusted revenue is defined as net interest income and non-interest income less net charge-offs. Risk adjusted margin measures risk adjusted revenue as a percentage of average



earning assets. It considers not only the loan yield and net interest margin, but also the fee income associated with these products. By deducting net charge-offs, consideration is given to the risk inherent in these differing products.

The Company markets its card products to targeted consumer populations. The terms of each card product are actively managed to achieve a balance between risk and expected performance, while also obtaining our expected return. For example, card product terms typically include the ability to reprice individual accounts upwards or downwards based on the consumer's performance. In addition, since 1998, the Company has aggressively marketed low non-introductory rate cards to consumers with the best established credit profiles to take advantage of the favorable risk return characteristics of this consumer type. Industry competitors have continuously solicited the Company's customers with similar interest rate strategies. Management believes the competition has put, and will continue to put, additional pressure on the Company's pricing strategies.

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



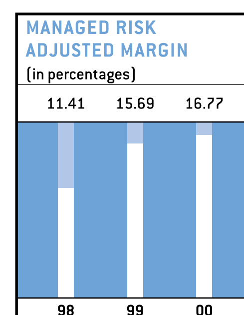


Table 3 provides income statement data and ratios for the Company's managed consumer loan portfolio. The causes of increases and decreases in the various components of risk adjusted revenue are discussed in further detail in subsequent sections of this analysis.

table 3: MANAGED RISK ADJUSTED REVENUE

Year Ended December 31 (Dollars in Thousands)	2000	1999	1998
MANAGED INCOME STATEMENT:			
Net interest income	**$ 2,614,321**	$ 2,174,726	$ 1,692,894
Non-interest income	**2,360,111**	1,668,381	1,066,413
Net charge-offs	**(883,667)**	(694,073)	(810,306)
Risk adjusted revenue	**$ 4,090,765**	$ 3,149,034	$ 1,949,001
RATIOS:[1]			
Net interest margin	**10.71%**	10.83%	9.91%
Non-interest income	**9.67**	8.31	6.24
Net charge-offs	**(3.62)**	(3.45)	(4.74)
Risk adjusted margin	**16.77%**	15.69%	11.41%

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

NET INTEREST INCOME

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

Reported net interest income for the year ended December 31, 2000, was $1.6 billion compared to $1.1 billion for 1999, representing an increase of $536.3 million, or 51%. Net interest income increased as a result of both growth in earning assets and an increase in the net interest margin. Average earning assets increased 37% for the year ended December 31, 2000, to $13.3 billion from $9.7 billion for the year ended December 31, 1999. The reported net interest margin increased to 11.99% in 2000, from 10.86% in 1999 primarily attributable to a 58 basis point increase in the yield on consumer loans to 19.91% for the year ended December 31, 2000, from 19.33% for the year ended December 31, 1999. The yield on consumer loans increased primarily due to an increase in the frequency of past-due fees and a slight shift in the mix of the portfolio to higher yielding assets as compared to the prior year.

The managed net interest margin for the year ended December 31, 2000, decreased to 10.71% from 10.83% for the year ended December 31, 1999. This decrease was primarily the result of an increase of 74 basis points in borrowing costs to 6.53% in 2000, from 5.79% in 1999, offset by a 24 basis point increase in consumer loan yield for the year ended December 31, 2000. The increase in consumer loan yield to 17.83% for the year ended December 31, 2000, from 17.59% in 1999 was primarily the result of an increase in the frequency of past-due fees as compared to the prior year.

Reported net interest income for the year ended December 31, 1999, was $1.1 billion, compared to $687.3 million for 1998, representing an increase of $365.4 million, or 53%. Net interest income increased as a result of both growth in earning assets and an increase in the net interest margin. Average earning assets increased 34% for the year ended December 31, 1999, to $9.7 billion from $7.2 billion for the year ended December 31, 1998. The reported net interest margin increased to 10.86% in 1999, from 9.51% in 1998 and was primarily attributable to a 58 basis point increase in the yield on consumer loans to 19.33% for the year ended December 31, 1999, from 18.75% for the year ended December 31, 1998. The yield on consumer loans increased primarily due to an increase in the amount and frequency of past-due fees as compared to the prior year, continued growth in the Company's portfolio of higher yielding products and repricings of low introductory rate loans during late 1998 and early 1999.

The managed net interest margin for the year ended December 31, 1999, increased to 10.83% from 9.91% for the year ended December 31, 1998. This increase was primarily the result of a 60 basis point increase in consumer loan yield for the year ended December 31, 1999, as well as a decrease of 26 basis points in borrowing costs to 5.79% in 1999, from 6.05% in 1998. The increase in consumer loan yield to 17.59% for the year ended December 31, 1999, from 16.99% in 1998 principally reflected increases in the amount and frequency of past-due fees and growth in higher yielding loans.

Table 4 provides average balance sheet data, an analysis of net interest income, net interest spread (the difference between the yield on earning assets and the cost of interest-bearing liabilities) and net interest margin for each of the years ended December 31, 2000, 1999 and 1998.

table 4: STATEMENTS OF AVERAGE BALANCES, INCOME AND EXPENSE, YIELDS AND RATES

Year Ended December 31	2000			1999			1998		
(Dollars in Thousands)	**Average Balance**	**Income/ Expense**	**Yield/ Rate**	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
ASSETS:									
Earning assets									
Consumer loans[1]	**$ 11,487,776**	**$ 2,286,774**	**19.91%**	$ 7,667,355	$ 1,482,371	19.33%	$ 5,348,559	$ 1,003,122	18.75%
Securities available for sale	**1,611,582**	**96,554**	**5.99**	1,852,826	105,438	5.69	1,628,164	94,436	5.80
Other	**152,675**	**6,574**	**4.31**	174,225	5,675	3.26	249,112	13,978	5.61
Total earning assets	**13,252,033**	**$ 2,389,902**	**18.03%**	9,694,406	$ 1,593,484	16.44%	7,225,835	$ 1,111,536	15.38%
Cash and due from banks	**103,390**			17,046			4,385		
Allowance for loan losses	**(402,208)**			(269,375)			(214,333)		
Premises and equipment, net	**549,133**			366,709			201,173		
Other	**1,707,237**			1,276,227			1,113,372		
Total assets	**$ 15,209,585**			$11,085,013			$ 8,330,432		
LIABILITIES AND EQUITY:									
Interest-bearing liabilities									
Deposits	**$ 5,339,474**	**$ 324,008**	**6.07%**	$ 2,760,536	$ 137,792	4.99%	$ 1,430,042	$ 67,479	4.72%
Other borrowings	**2,893,415**	**202,034**	**6.98**	1,687,042	100,392	5.95	1,473,949	96,130	6.52
Senior notes	**3,976,623**	**274,975**	**6.91**	4,391,438	302,698	6.89	3,787,639	260,675	6.88
Total interest-bearing liabilities	**12,209,512**	**$ 801,017**	**6.56%**	8,839,016	$ 540,882	6.12%	6,691,630	$ 424,284	6.34%
Other	**1,299,100**			838,098			550,819		
Total liabilities	**13,508,612**			9,677,114			7,242,449		
Equity	**1,700,973**			1,407,899			1,087,983		
Total liabilities and equity	**$ 15,209,585**			$11,085,013			$ 8,330,432		
Net interest spread			**11.47%**			10.32%			9.04%
Interest income to average earning assets			**18.03**			16.44			15.38
Interest expense to average earning assets			**6.04**			5.58			5.87
Net interest margin			**11.99%**			10.86%			9.51%

(1) Interest income includes past-due fees on loans of approximately $780,014, $478,918 and $301,979 for the years ended December 31, 2000, 1999 and 1998, respectively.

INTEREST VARIANCE ANALYSIS

Net interest income is affected by changes in the average interest rate earned on earning assets and the average interest rate paid on interest-bearing liabilities. In addition, net interest income is affected by changes in the volume of earning assets and interest-bearing liabilities. Table 5 sets forth the dollar amount of the increases 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 5: INTEREST VARIANCE ANALYSIS

Year Ended December 31	2000 vs. 1999			1999 vs. 1998		
	Increase	Change Due to[1]		Increase	Change Due to[1]	
(In Thousands)	(Decrease)	Volume	Yield/Rate	(Decrease)	Volume	Yield/Rate
INTEREST INCOME:						
Consumer loans	$ 804,403	$ 759,271	$ 45,132	$ 479,249	$ 447,414	$ 31,835
Securities available for sale	(8,884)	(14,244)	5,360	11,002	12,814	(1,812)
Other	899	(765)	1,664	(8,303)	(3,466)	(4,837)
Total interest income	796,418	629,696	166,722	481,948	401,413	80,535
INTEREST EXPENSE:						
Deposits	186,216	151,286	34,930	70,313	66,199	4,114
Other borrowings	101,642	81,806	19,836	4,262	13,140	(8,878)
Senior notes	(27,723)	(28,681)	958	42,023	41,619	404
Total interest expense	260,135	218,759	41,376	116,598	131,870	(15,272)
Net interest income[1]	$ 536,283	$ 417,642	$ 118,641	$ 365,350	$ 258,291	$ 107,059

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

SERVICING AND SECURITIZATIONS INCOME

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

Servicing and securitizations income represents servicing fees, excess spread and other fees relating to loan receivables sold through securitization transactions, as well as gains and losses recognized as a result of securitization transactions. Servicing and securitizations income decreased $34.7 million, or 3%, for the year ended December 31, 2000, compared to 1999. This decrease was primarily due to an increase in net charge-offs on such loans as a result of the seasoning of accounts combined with a change in customer usage patterns, resulting in decreases in certain fees.

Servicing and securitizations income increased $397.3 million, or 50%, to $1.2 billion for the year ended December 31, 1999, from $789.8 million for 1998. This increase was primarily due to a decrease in net charge-offs on such loans as a result of improved general economic trends in consumer credit, increased purchase volume, membership and overlimit fees, as well as a slight increase in off-balance sheet consumer loans.

Certain estimates inherent in the determination of the fair value of the I/O strip are influenced by factors outside the Company's control, and as a result, such estimates could materially change in the near term. Any future gains that will be recognized in accordance with SFAS 125 and SFAS 140 (see Note A to the Consolidated Financial Statements) will be dependent on the timing and amount of future securitizations. The Company will continuously assess the performance of new and existing securitization transactions as estimates of future cash flows change.

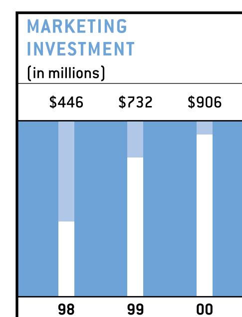
OTHER NON-INTEREST INCOME

Interchange income increased $93.5 million, or 65%, to $237.8 million for the year ended December 31, 2000, from $144.3 million in 1999. Service charges and other customer-related fees increased to $1.6 billion, or 58%, for the year ended December 31, 2000, compared to $1.0 billion for the year ended December 31, 1999. These increases were primarily due to a 41% increase in the average number of accounts for the year ended December 31, 2000, from 1999, an increase in purchase volume, customer usage patterns and increased purchases of cross-sell products.

Interchange income increased $57.8 million, or 67%, to $144.3 million for the year ended December 31, 1999, from $86.5 million in 1998. Service charges and other customer-related fees increased to $1.0 billion, or 70%, for the year ended December 31, 1999, compared to $612.0 million for the year ended December 31, 1998. These increases were primarily due to a 42% increase in the average number of accounts for the year ended December 31, 1999, from 1998, an increase in purchase volume, an increase in interchange rates received by the Company and a shift to more fee-intensive products.

NON-INTEREST EXPENSE

Non-interest expense for the year ended December 31, 2000, increased $682.7 million, or 28%, to $3.1 billion from $2.5 billion for the year ended December 31, 1999. Contributing to the increase in non-interest expense were marketing expenses which increased $174.2 million, or 24%, to $906.1 million in 2000, from $731.9 million in 1999. The increase in marketing expenses during 2000 reflects the Company's continued identification of and investments in opportunities for growth. Salaries and associate benefits increased $243.2 million, or 31%, to $1.0 billion in 2000, from $780.2 million in 1999, as the Company added approximately 3,800 net new associates to our staffing levels to manage the growth in the Company's accounts. All other non-interest expenses increased $265.2 million, or 28%, to $1.2 billion for the year ended December 31, 2000, from $952.9 million in 1999. The increase in other non-interest expense, as well as the increase in salaries and associate benefits, was primarily a result of a 41% increase in the average number of accounts for the year ended December 31, 2000, and the Company's continued exploration and testing of new products and markets.



Non-interest expense for the year ended December 31, 1999, increased $1.0 billion, or 68%, to $2.5 billion from $1.5 billion for the year ended December 31, 1998. Contributing to the increase in non-interest expense were marketing expenses which increased $285.6 million, or 64%, to $731.9 million in 1999, from $446.3 million in 1998. The increase in marketing expenses during 1999 reflects the Company's continued identification of and investments in opportunities for growth. Salaries and associate benefits increased $303.8 million, or 64%, to $780.2 million in 1999, from $476.4 million in 1998, as the Company added approximately 5,000 associates to our staffing levels to manage the growth in the Company's accounts. All other non-interest expenses increased $411.0 million, or 76%, to $952.9 million for the year ended December 31, 1999, from $541.9 million in 1998. The increase in other non-interest expense, as well as the increase in salaries and associate benefits, was primarily a result of a 42% increase in the average number of accounts for the year ended December 31, 1999 and the Company's continued exploration and testing of new products and markets.

INCOME TAXES

The Company's effective income tax rate was 38%, 37% and 38%, for the years ended December 31, 2000, 1999 and 1998, respectively. The effective rate includes both state and federal income tax components.

ASSET QUALITY

The asset quality of a portfolio is generally a function of the initial underwriting criteria used, levels of competition, account management activities and demographic concentration, as well as general economic conditions. The seasoning of the accounts is also an important factor, as accounts tend to exhibit a rising trend of delinquency and credit losses as they season. As of December 31, 2000 and 1999, 60% of managed accounts representing 51% of the total managed loan balance were less than eighteen months old. Accordingly, it is likely that the Company's managed loan portfolio could experience increased levels of delinquency and credit losses as the average age of the Company's accounts increases.

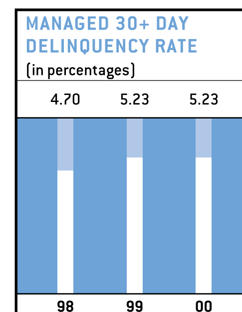
Changes in the rates of delinquency and credit losses can also result from a shift in the product mix. As discussed in "Risk Adjusted Revenue and Margin," certain customized card products have, in some cases, higher delinquency and higher charge-off rates. In the case of secured card loans, collateral, in the form of cash deposits, reduces any ultimate charge-offs. The costs associated with higher delinquency and charge-off rates are considered in the pricing of individual products.

During 2000, general economic conditions for consumer credit remained stable as industry levels of charge-offs (including bankruptcies) and delinquencies both decreased. These trends have positively impacted the Company's 2000 results.

DELINQUENCIES

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

The 30-plus day delinquency rate for the reported consumer loan portfolio increased to 7.26% as of December 31, 2000, from 5.92% as of December 31, 1999. The increase in the reported delinquency rate is a result of a shift in the composition of the reported portfolio combined with the seasoning of accounts. The 30-plus day delinquency rate for the managed consumer loan portfolio remained consistent at 5.23% as of December 31, 2000 and 1999.



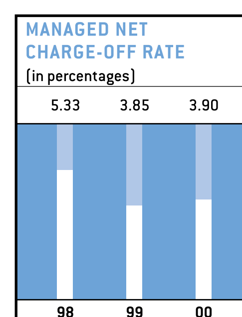


table 6: DELINQUENCIES

December 31 (Dollars in Thousands)	2000 Loans	2000 % of Total Loans	1999 Loans	1999 % of Total Loans	1998 Loans	1998 % of Total Loans	1997 Loans	1997 % of Total Loans	1996 Loans	1996 % of Total Loans
REPORTED:										
Loans outstanding	**$ 15,112,712**	**100.00%**	$ 9,913,549	100.00%	$ 6,157,111	100.00%	$ 4,861,687	100.00%	$ 4,343,902	100.00%
Loans delinquent:										
30–59 days	**418,967**	**2.77**	236,868	2.39	123,162	2.00	104,216	2.14	96,819	2.23
60–89 days	**242,770**	**1.61**	129,251	1.30	67,504	1.10	64,217	1.32	55,679	1.28
90 or more days	**435,574**	**2.88**	220,513	2.23	98,798	1.60	99,667	2.05	111,791	2.57
Total	**$ 1,097,311**	**7.26%**	$ 586,632	5.92%	$ 289,464	4.70%	$ 268,100	5.51%	$ 264,289	6.08%
MANAGED:										
Loans outstanding	**$ 29,524,026**	**100.00%**	$ 20,236,588	100.00%	$ 17,395,126	100.00%	$ 14,231,015	100.00%	$ 12,803,969	100.00%
Loans delinquent:										
30–59 days	**605,040**	**2.05**	416,829	2.06	329,239	1.89	327,407	2.30	279,787	2.19
60–89 days	**349,250**	**1.18**	238,476	1.18	182,982	1.05	213,726	1.50	162,668	1.27
90 or more days	**590,364**	**2.00**	403,464	1.99	305,589	1.76	340,887	2.40	356,700	2.78
Total	**$ 1,544,654**	**5.23%**	$ 1,058,769	5.23%	$ 817,810	4.70%	$ 882,020	6.20%	$ 799,155	6.24%

NET CHARGE-OFFS

Net charge-offs include the principal amount of losses (excluding accrued and unpaid finance charges, fees and fraud losses) less current period recoveries. The Company charges off credit card loans (net of any collateral) at 180 days past the due date.

For the year ended December 31, 2000, the managed net charge-off rate increased 5 basis points to 3.90%. For the year ended December 31, 2000, the reported net charge-off rate increased 105 basis points to 4.64%. The increases in managed and reported net charge-off rates were the result of a shift in the portfolio mix combined with the seasoning of accounts. The impact was more apparent in the reported net charge-offs due to changes in the composition of the reported portfolio compared to the off-balance sheet portfolio. Table 7 shows the Company's net charge-offs for the years presented on a reported and managed basis.

table 7: NET CHARGE-OFFS

Year Ended December 31 (Dollars in Thousands)	**2000**	1999	1998	1997	1996
REPORTED:					
Average loans outstanding	**$ 11,487,776**	$ 7,667,355	$ 5,348,559	$ 4,103,036	$ 3,651,908
Net charge-offs	**532,621**	275,470	226,531	198,192	132,590
Net charge-offs as a percentage of average loans outstanding	**4.64%**	3.59%	4.24%	4.83%	3.63%
MANAGED:					
Average loans outstanding	**$ 22,634,862**	$ 18,046,913	$ 15,209,537	$ 13,007,182	$ 11,268,461
Net charge-offs	**883,667**	694,073	810,306	856,704	477,732
Net charge-offs as a percentage of average loans outstanding	**3.90%**	3.85%	5.33%	6.59%	4.24%

The Company's objective is to optimize the profitability of each account within acceptable risk characteristics. The Company takes measures as necessary, including requiring collateral on certain accounts and other marketing and account management techniques, to maintain the Company's credit quality standards and to manage the risk of loss on existing accounts. See "Risk Adjusted Revenue and Margin" for further discussion.

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at an amount estimated to be sufficient to absorb probable future losses, net of recoveries (including recovery of collateral), inherent in the existing reported loan portfolio. The provision for loan losses is the periodic cost of maintaining an adequate allowance. Management believes that the allowance for loan losses is adequate to cover anticipated losses in the reported homogeneous consumer loan portfolio under current conditions. There can be no assurance as to future credit losses that may be incurred in connection with the Company's consumer loan portfolio, nor can there be any assurance that the loan loss allowance that has been established by the Company will be sufficient to absorb such future credit losses. The allowance is a general allowance applicable to the entire reported homogeneous consumer loan portfolio, including the Company's international portfolio which to date has performed with relatively lower loss and delinquency rates than the overall portfolio.

The amount of allowance necessary is determined primarily based on a migration analysis of delinquent and current accounts. In evaluating the sufficiency of the allowance for loan losses, management also takes into consideration the following factors: recent trends in delinquencies and charge-offs including bankrupt, deceased and recovered amounts; historical trends in loan volume; forecasting uncertainties and size of credit risks; the degree of risk inherent in the composition of the loan portfolio; economic conditions; credit evaluations and underwriting policies. Additional information on the Company's allowance for loan loss policy can be found in Note A to the Consolidated Financial statements.

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.

For the year ended December 31, 2000, the provision for loan losses increased 88% to $718.2 million from the 1999 provision for loan losses of $382.9 million as a result of an increase in average reported loans of 50%, continued seasoning of the reported portfolio and the shift in the mix of the composition of the reported portfolio. As a result of these factors, the Company increased the allowance for loan losses by $185.0 million during 2000.

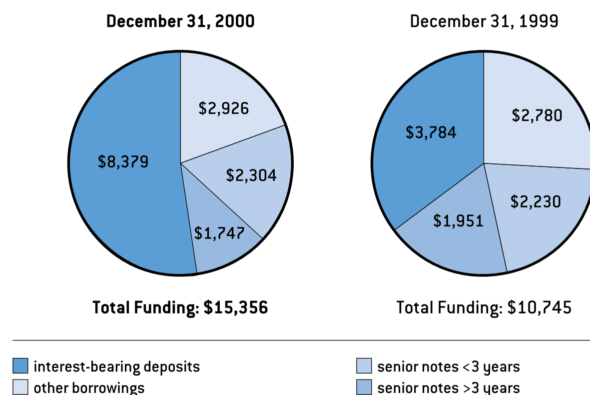
For the year ended December 31, 1999, the provision for loan losses increased 43% to $382.9 million from the 1998 provision for loan losses of $267.0 million as average reported loans increased 43%. The Company increased the allowance for loan losses by $111.0 million during 1999 due to the increase in the delinquency rate, the growth in the reported loans and the increase in the dollar amount of net charge-offs.

table 8: SUMMARY OF ALLOWANCE FOR LOAN LOSSES

Year Ended December 31 (Dollars in Thousands)	**2000**	1999	1998	1997	1996
Balance at beginning of year	**$ 342,000**	$ 231,000	$ 183,000	$ 118,500	$ 72,000
Provision for loan losses	**718,170**	382,948	267,028	262,837	167,246
Acquisitions/other	**(549)**	3,522	7,503	(2,770)	(18,887)
Charge-offs	**(772,402)**	(400,143)	(294,295)	(223,029)	(115,159)
Recoveries	**239,781**	124,673	67,764	27,462	13,300
Net charge-offs	**(532,621)**	(275,470)	(226,531)	(195,567)	(101,859)
Balance at end of year	**$ 527,000**	$ 342,000	$ 231,000	$ 183,000	$ 118,500
Allowance for loan losses to loans at end of year	**3.49%**	3.45%	3.75%	3.76%	2.73%

FUNDING

The Company has established access to a wide range of domestic funding alternatives, in addition to securitization of its consumer loans. In June 2000, the Company established a $5.0 billion global senior and subordinated bank note program, of which $994.8 million was outstanding as of December 31, 2000, with original terms of three to five years. In February 2001, the Company issued an additional $1.3 billion fixed rate senior global bank note with a term of five years. The Company has historically issued senior unsecured debt of the Bank through its $8.0 billion domestic bank note program, of which $2.5 billion was outstanding as of December 31, 2000, with original terms of one to ten years.



Internationally, the Company has funding programs designed specifically for foreign investors and to allow the Company to raise funds in foreign currencies. The Company has multiple committed revolving credit facilities that offer foreign currency funding options. The Company funds its foreign assets by directly or synthetically borrowing or securitizing in the local currency to mitigate the financial statement effect of currency translation.

Additionally, the Corporation has three shelf registration statements under which the Corporation from time to time may offer and sell senior or subordinated debt securities, preferred stock and common stock. As of December 31, 2000, the Company had existing unsecured senior debt outstanding under the shelf registrations of $550 million, with another $1.0 billion of availability. During January 2001, the Corporation issued 6,750,390 shares of common stock in a public offering under these shelf registration statements, increasing equity by $412.8 million.

The Company has significantly expanded its retail deposit gathering efforts through both direct and broker marketing channels. The Company uses its IBS capabilities to test and market a variety of retail deposit origination strategies, including via the Internet, as well as to develop customized account management programs. As of December 31, 2000, the Company had $8.4 billion in interest-bearing deposits, with original maturities up to ten years.

Table 9 reflects the costs of short-term borrowings of the Company as of and for each of the years ended December 31, 2000, 1999 and 1998.

table 9: SHORT-TERM BORROWINGS

(Dollars in Thousands)	Maximum Outstanding as of any Month-End	Outstanding as of Year-End	Average Outstanding	Average Interest Rate	Year-End Interest Rate
2000					
Federal funds purchased and resale agreements	**$ 1,303,714**	**$ 1,010,693**	**$ 1,173,267**	**6.26%**	**6.58%**
Other	**371,020**	**43,359**	**129,700**	**11.52**	**6.17**
Total		**$ 1,054,052**	**$ 1,302,967**	**6.79%**	**6.56%**
1999					
Federal funds purchased and resale agreements	$ 1,491,463	$ 1,240,000	$ 1,046,475	5.33%	5.84%
Other	193,697	97,498	175,593	8.42	3.97
Total		$ 1,337,498	$ 1,222,068	5.77%	5.70%
1998					
Federal funds purchased and resale agreements	$ 1,451,029	$ 1,227,000	$ 1,169,952	6.09%	5.53%
Other	417,279	417,279	206,204	8.44	6.58
Total		$ 1,644,279	$ 1,376,156	6.44%	5.80%

Table 10 shows the maturities of certificates of deposit in denominations of $100,000 or greater (large denomination CDs) as of December 31, 2000.

table 10: MATURITIES OF LARGE DENOMINATION CERTIFICATES — $100,000 OR MORE

December 31, 2000 (Dollars in Thousands)	Balance	Percent
3 months or less	**$ 529,726**	**14.32%**
Over 3 through 6 months	**460,581**	**12.46**
Over 6 through 12 months	**925,414**	**25.03**
Over 12 months	**1,782,167**	**48.19**
Total	**$ 3,697,888**	**100.00%**

Additional information regarding funding can be found in Note E to the Consolidated Financial Statements.

LIQUIDITY

Liquidity refers to the Company's ability to meet its cash needs. The Company meets its cash requirements by securitizing assets, gathering deposits and issuing debt. As discussed in "Managed Consumer Loan Portfolio," a significant source of liquidity for the Company has been the securitization of consumer loans. Maturity terms of the existing securitizations vary from 2001 to 2008 and typically have accumulation periods during which principal payments are aggregated to make payments to investors. As payments on the loans are accumulated and are no longer reinvested in new loans, the Company's funding requirements for such new loans increase accordingly. The occurrence of certain events may cause the securitization transactions to amortize earlier than scheduled, which would accelerate the need for funding.

Table 11 shows the amounts of investor principal from off-balance sheet securitized consumer loans that are expected to amortize, or be otherwise paid over the periods indicated, based on outstanding securitized consumer loans as of January 1, 2001. As of December 31, 2000 and 1999, 49% and 51%, respectively, of the Company's total managed loans were securitized.

As such amounts amortize or are otherwise paid, the Company believes it can securitize consumer loans, purchase federal funds and establish other funding sources to fund the amortization or other payment of the securitizations in the future, although no assurance can be given to that effect. Additionally, the Company maintains a portfolio of high-quality securities such as U.S. Treasuries and other U.S. government obligations, commercial paper, interest-bearing deposits with other banks, federal funds and other cash equivalents in order to provide adequate liquidity and to meet its ongoing cash needs. As of December 31, 2000, the Company held $1.9 billion of such securities.

Liability liquidity is measured by the Company's ability to obtain borrowed funds in the financial markets in adequate amounts and at favorable rates. As of December 31, 2000, the Company, the Bank and the Savings Bank collectively had over $1.9 billion in unused commitments, under its credit facilities, available for liquidity needs.

table 11: SECURITIZATIONS — AMORTIZATION TABLE

(Dollars in Thousands)	2001	2002	2003	2004	2005–2008
Balance at beginning of year	$ 14,397,050	$ 10,757,198	$ 8,782,005	$ 6,035,622	$ 4,041,017
Less repayment amounts	(3,639,852)	(1,975,193)	(2,746,383)	(1,994,605)	(4,041,017)
Balance at end of year	$ 10,757,198	$ 8,782,005	$ 6,035,622	$ 4,041,017	$ —

CAPITAL ADEQUACY

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

The most recent notifications received from the regulators categorized the Bank and the Savings Bank as "well-capitalized." As of December 31, 2000, there are no conditions or events since the notifications discussed above that management believes have changed either the Bank's or the Savings Bank's capital category.

In August 2000, the Bank received regulatory approval and established a subsidiary bank in the United Kingdom. In connection with the approval of its former branch office in the United Kingdom, the Company committed to the Federal Reserve that, for so long as the Bank maintains a branch or subsidiary bank in the United Kingdom, the Company will maintain a minimum Tier 1 Leverage ratio of 3.0%. As of December 31, 2000 and 1999, the Company's Tier 1 Leverage ratio was 11.14% and 12.79%, respectively.

Additional information regarding capital adequacy can be found in Note J to the Consolidated Financial Statements.

DIVIDEND POLICY

Although the Company expects to reinvest a substantial portion of its earnings in its business, the Company intends to continue to pay regular quarterly cash dividends on the Common Stock. The declaration and payment of dividends, as well as the amount thereof, is 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 Company 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 Company or its subsidiaries may restrict the ability of the Company's subsidiaries to pay dividends to the Corporation or the ability of the Corporation to pay dividends to its stockholders.

OFF-BALANCE SHEET RISK

The Company is subject to off-balance sheet risk in the normal course of business including commitments to extend credit, reduce the interest rate sensitivity of its securitization transactions and its off-balance sheet financial instruments. The Company enters into interest rate swap agreements in the management of its interest rate exposure. The Company also enters into forward foreign currency exchange contracts and currency swaps to reduce its sensitivity to changing foreign currency exchange rates. These off-balance sheet financial instruments involve elements of credit, interest rate or foreign currency exchange rate risk in excess of the amount recognized on the balance sheet. These instruments also present the Company with certain credit, market, legal and operational risks. The Company has established credit policies for off-balance sheet instruments as it has for on-balance sheet instruments.

Additional information regarding off-balance sheet financial instruments can be found in Note N to the Consolidated Financial Statements.

INTEREST RATE SENSITIVITY

Interest rate sensitivity refers to the change in earnings that may result from changes in the level of interest rates. To the extent that managed interest income and expense do not respond equally to changes in interest rates, or that all rates do not change uniformly, earnings could be affected. The Company's managed net interest income is affected by changes in short-term interest rates, primarily the London InterBank Offering Rate, as a result of its issuance of interest-bearing deposits, variable rate loans and variable rate securitizations. The Company manages and mitigates its interest rate sensitivity through several techniques which include, but are not limited to, changing the maturity, repricing and distribution of assets and liabilities and entering into interest rate swaps.

The Company measures exposure to its interest rate risk through the use of a simulation model. The model generates a distribution of possible twelve-month managed net interest income outcomes based on (i) a set of plausible interest rate scenarios, as determined by management based upon historical trends and market expectations, (ii) all existing financial instruments, including swaps, and (iii) an estimate of ongoing business activity over the coming twelve months. The Company's asset/liability management policy requires that based on this distribution there be at least a 95% probability that managed net interest income achieved over the coming twelve months will be no more than 2.5% below the mean managed net interest income of the distribution. As of December 31, 2000, the Company was in compliance with the policy; more than 99% of the outcomes generated by the model produced a managed net interest income of no more than 1% below the mean outcome. The interest rate scenarios evaluated as of December 31, 2000 included scenarios in which short-term interest rates rose in excess of 400 basis points or fell by as much as 250 basis points over twelve months.

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

Interest rate sensitivity at a point in time can also be analyzed by measuring the mismatch in balances of earning assets and interest-bearing liabilities that are subject to repricing in future periods.

Table 12 reflects the interest rate repricing schedule for earning assets and interest-bearing liabilities as of December 31, 2000.

table 12: INTEREST RATE SENSITIVITY

As of December 31, 2000 Subject to Repricing (Dollars in Millions)	Within 180 Days	>180 Days–1 Year	>1 Year–5 Years	Over 5 Years
EARNING ASSETS:				
Federal funds sold and resale agreements	$ 61			
Interest-bearing deposits at other banks	102			
Securities available for sale	156	$ 147	$ 895	$ 498
Consumer loans	6,131	6	8,976	
Total earning assets	6,450	153	9,871	498
INTEREST-BEARING LIABILITIES:				
Interest-bearing deposits	2,647	1,447	3,981	304
Other borrowings	2,826	100		
Senior notes	522	143	2,745	641
Total interest-bearing liabilities	5,995	1,690	6,726	945
Non-rate related assets				(1,616)
Interest sensitivity gap	455	(1,537)	3,145	(2,063)
Impact of swaps	3,854	(153)	(3,592)	(109)
Impact of consumer loan securitizations	(4,476)	(677)	5,853	(700)
Interest sensitivity gap adjusted for impact of securitizations and swaps	$ (167)	$ (2,367)	$ 5,406	$ (2,872)
Adjusted gap as a percentage of managed assets	–0.50%	–7.11%	16.24%	–8.63%
Adjusted cumulative gap	$ (167)	$ (2,534)	$ 2,872	$ —
Adjusted cumulative gap as a percentage of managed assets	– 0.50%	–7.61%	8.63%	0.00%

BUSINESS OUTLOOK

Earnings, Goals and Strategies

This business outlook section summarizes Capital One's expectations for earnings for the year ending December 31, 2001, and our primary goals and strategies for continued growth. The statements contained in this section are based on management's current expectations. Certain statements are forward looking and, therefore, actual results could differ materially. Factors that could materially influence results are set forth throughout this section and in Capital One's Annual Report on Form 10-K for the year ended December 31, 2000 (Part I, Item 1, Risk Factors).

We have set targets, dependent on the factors set forth below, to achieve a 20% return on equity in 2001 and to increase Capital One's 2001 earnings per share by approximately 30% over earnings per share for 2000. As discussed elsewhere in this report and below, Capital One's actual earnings are a function of our revenues (net interest income and non-interest income on our earning assets), consumer usage and payment patterns, credit quality of our earning assets (which affects fees and charge-offs), marketing expenses and operating expenses.

Product and Market Opportunities

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

Lending

Lending includes credit card and other consumer lending products, including automobile financing and unsecured installment lending. Credit card opportunities include, and are expected to continue to include, a wide variety of highly customized products with interest rates, credit lines and other features specifically tailored for numerous consumer segments. We expect continued growth across a broad spectrum of new and existing customized products, which are distinguished by a range of credit lines, pricing structures and other characteristics. For example, our low introductory and non-introductory rate products, which are marketed to consumers with the best

established credit profiles, are characterized by higher credit lines, lower yields and an expectation of lower delinquencies and credit loss rates.On the other hand, certain other customized card products are characterized by lower credit lines, higher yields (including fees) and in some cases, higher delinquencies and credit loss rates.These products also involve higher operational costs but exhibit better response rates, less adverse selection, less attrition and a greater ability to reprice than traditional products. More importantly, as a whole, all of these customized products continue to have less volatile returns than traditional products in recent market conditions, based partly on our ability to diversify risk with customization. Based in part on the success of this range of products and growth in the superprime and prime markets, we expect strong growth in our managed loan balances during 2001. We believe that leveraging our customer relationships will be a key to our future growth.

Capital One Auto Finance, Inc., our automobile finance subsidiary, offers loans, secured by automobiles, through dealer networks throughout the United States, and is our platform to apply IBS to the automobile loan market. As of December 31, 2000, loans outstanding for Capital One Auto Finance had tripled since we acquired it in 1998. We anticipate this trend will continue through 2001.

Our internet services support our lending business and include account decisioning, real-time account numbering, retail deposit-taking and account servicing. In the fourth quarter of 2000, we surpassed our previously stated goal of originating one million accounts and servicing two million accounts online by the end of 2000. We expect continued growth in the internet services portion of our business in 2001, provided that we can continue to limit fraud and safeguard our customers' privacy.

We have expanded our existing operations outside of the United States and have experienced growth in the number of accounts and loan balances in our international business. To date, our principal operations outside of the United States have been in the United Kingdom, with additional operations in Canada, South Africa and France. To support the continued growth of our United Kingdom business and any future business in Europe, in September 2000 we launched a bank in the United Kingdom with authority to conduct full-service operations. We anticipate entering and doing business in additional countries from time to time as opportunities arise.

Non-Lending

Our non-lending business consists primarily of our retail deposit-taking business. In 2000, we launched the CapitalOnePlace where we offer customers a variety of products available for purchase online, some of which are offered in partnership with other companies.

We will continue to apply our IBS in an effort to balance the mix of credit card products with other financial and non-financial products and services to optimize profitability within the context of acceptable risk. We continually test new product offerings and pricing combinations, using IBS, to target different consumer groups. The number of tests we conduct has increased each year since 1994 and we expect further increases in 2001. Our growth through expansion and product diversification, however, will be affected by our ability to build internally or acquire the necessary operational and organizational infrastructure, recruit experienced personnel, fund these new businesses and manage expenses. Although we believe we have the personnel, financial resources and business strategy necessary for continued success, there can be no assurance that our results of operations and financial condition in the future will reflect our historical financial performance.

Marketing Investment

We expect our 2001 marketing expenses to exceed 2000's expense level, as we continue to invest in various credit card products and services, and other financial and non-financial products and services. We are also developing a brand marketing, or "brand awareness," strategy with the intent of building a branded franchise to support our IBS and mass customization strategies. We caution, however, that an increase in marketing expenses does not necessarily equate to a comparable increase in outstanding balances or accounts based on historical results. As our portfolio continues to grow, generating balances and accounts to offset attrition requires increasing amounts of marketing. Although we are one of the leading direct mail marketers in the credit card industry, and our overall credit card response rates remained fairly stable in 2000, increased mail volume throughout the industry indicates that competition has been accelerating. This intense competition in the credit card market has resulted in an industry-wide reduction in both credit card response rates and the productivity of marketing dollars invested in that line of business, both of which may affect us more significantly in 2001. In addition, the cost to acquire new accounts varies across product lines and is

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

The amount of marketing expense allocated to various products or businesses will influence the characteristics of our portfolio as various products or businesses are characterized by different account growth, loan growth and asset quality characteristics. We currently expect continued strong account growth and loan growth in 2001, particularly in the prime and superprime customer markets. Actual growth, however, may vary significantly depending on our actual product mix and the level of attrition in our managed portfolio, which is primarily affected by competitive pressures.

Impact of Delinquencies, Charge-Offs and Attrition

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

As of December 31, 2000, we had among the lowest net charge-off rates among the top ten credit card issuers in the United States. We expect delinquencies and charge-offs to increase in the latter half of 2001 due to general economic factors as well as the seasoning of certain of our accounts. We caution that delinquency and charge-off levels are not always predictable and may vary from projections. In the case of an economic downturn or recession, delinquencies and charge-offs are likely to increase more quickly. In addition, competition in the credit card industry, as measured by the volume of mail solicitations, remains very high. Competition can affect our earnings by increasing attrition of our outstanding loans (thereby reducing interest and fee income) and by making it more difficult to retain and attract profitable customers.

Cautionary Factors

The strategies and objectives outlined above, and the other forward-looking statements contained in this section, involve a number of risks and uncertainties. Capital One cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: continued intense competition from numerous providers of products and services which compete with our businesses; with respect to financial and other products, changes in our aggregate accounts or consumer loan balances and the growth rate thereof, including changes resulting from factors such as shifting product mix, amount of our actual marketing expenses and attrition of accounts and loan balances; an increase in credit losses (including increases due to a worsening of general economic conditions); our ability to continue to securitize our credit cards and consumer loans and to otherwise access the capital markets at attractive rates and terms to fund our operations and future growth; difficulties or delays in the development, production, testing and marketing of new products or services; losses associated with new products or services or expansion internationally; financial, legal, regulatory or other difficulties that may affect investment in, or the overall performance of, a product or business, including changes in existing laws to regulate further the credit card and consumer loan industry and the financial services industry, in general, including the flexibility of financial services companies to obtain, use and share consumer data; the amount of, and rate of growth in, our expenses (including salaries and associate benefits and marketing expenses) as our business develops or changes or as we expand into new market areas; the availability of capital necessary to fund our new businesses; our ability to build the operational and organizational infrastructure necessary to engage in new businesses or to expand internationally; our ability to recruit experienced personnel to assist in the management and operations of new products and services; and other factors listed from time to time in the our SEC reports, including, but not limited to, the Annual Report on Form 10-K for the year ended December 31, 2000 (Part I, Item 1, Risk Factors).

Selected Quarterly Financial Data

(Unaudited)	2000 Fourth Quarter	2000 Third Quarter	2000 Second Quarter	2000 First Quarter	1999 Fourth Quarter	1999 Third Quarter	1999 Second Quarter	1999 First Quarter
SUMMARY OF OPERATIONS:								
(In Thousands)								
Interest income	$ 706,235	$ 631,713	$ 536,507	$ 515,447	$ 450,604	$ 412,036	$ 377,773	$ 353,071
Interest expense	247,675	218,843	172,549	161,950	154,798	135,807	128,288	121,989
Net interest income	458,560	412,870	363,958	353,497	295,806	276,229	249,485	231,082
Provision for loan losses	247,226	193,409	151,010	126,525	120,000	114,061	74,301	74,586
Net interest income after provision for loan losses	211,334	219,461	212,948	226,972	175,806	162,168	175,184	156,496
Non-interest income	872,080	796,469	710,807	655,060	654,623	621,063	572,047	524,626
Non-interest expense	876,516	818,957	742,264	709,920	681,185	629,421	606,137	548,253
Income before income taxes	206,898	196,973	181,491	172,112	149,244	153,810	141,094	132,869
Income taxes	78,621	74,850	68,966	65,403	51,372	58,448	53,616	50,490
Net income	$ 128,277	$ 122,123	$ 112,525	$ 106,709	$ 97,872	$ 95,362	$ 87,478	$ 82,379
PER COMMON SHARE:								
Basic earnings	$ .65	$ .62	$ .57	$ .54	$ .50	$ .48	$ .44	$ .42
Diluted earnings	.61	.58	.54	.51	.47	.45	.41	.39
Dividends	.03	.03	.03	.03	.03	.03	.03	.03
Market prices								
High	73 5/23	71 3/4	53 3/4	48 13/16	54 27/32	57 3/4	60 1/6	51 25/64
Low	45 7/8	44 26/43	39 3/8	32 1/16	35 7/8	35 4/5	46	36 5/16
Average common shares (000s)	196,996	196,255	196,012	196,645	197,252	197,423	197,643	197,239
Average common and common equivalent shares (000s)	210,395	210,055	208,633	208,710	210,284	210,142	211,499	209,991
AVERAGE BALANCE SHEET DATA:								
(In Millions)								
Consumer loans	$ 14,089	$ 12,094	$ 10,029	$ 9,705	$ 8,620	$ 7,791	$ 7,406	$ 6,832
Allowance for loan losses	(469)	(415)	(378)	(347)	(312)	(273)	(254)	(239)
Securities	1,810	1,729	1,666	1,856	2,348	1,898	1,831	2,047
Other assets	2,530	2,699	2,380	1,825	1,728	1,803	1,663	1,511
Total assets	$ 17,960	$ 16,107	$ 13,697	$ 13,039	$ 12,384	$ 11,219	$ 10,646	$ 10,151
Interest-bearing deposits	$ 7,156	$ 5,788	$ 4,495	$ 3,894	$ 3,649	$ 3,002	$ 2,271	$ 2,101
Other borrowings	3,290	3,084	2,688	2,505	2,038	1,333	1,600	1,778
Senior and deposit notes	4,085	4,140	3,660	4,019	4,259	4,494	4,621	4,190
Other liabilities	1,564	1,352	1,228	1,054	945	929	780	780
Stockholders' equity	1,865	1,743	1,626	1,567	1,493	1,461	1,374	1,302
Total liabilities and equity	$ 17,960	$ 16,107	$ 13,697	$ 13,039	$ 12,384	$ 11,219	$ 10,646	$ 10,151

The above schedule is a tabulation of the Company's unaudited quarterly results for the years ended December 31, 2000 and 1999. The Company's common shares are traded on the New York Stock Exchange under the symbol COF. In addition, shares may be traded in the over-the-counter stock market. There were 10,019 and 9,738 common stockholders of record as of December 31, 2000 and 1999, respectively.

Management's Report on Consolidated Financial Statements and Internal Controls Over Financial Reporting

The Management of Capital One Financial Corporation is responsible for the preparation, integrity and fair presentation of the financial statements and footnotes contained in this Annual Report. The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and are free of material misstatement. The Company also prepared other information included in this Annual Report and is responsible for its accuracy and consistency with the financial statements. In situations where financial information must be based upon estimates and judgments, they represent the best estimates and judgments of Management.

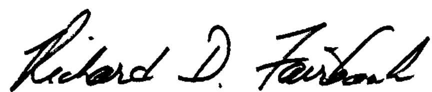
The Consolidated Financial Statements have been audited by the Company's independent auditors, Ernst & Young LLP, whose independent professional opinion appears separately. Their audit provides an objective assessment of the degree to which the Company's Management meets its responsibility for financial reporting. Their opinion on the financial statements is based on auditing procedures, which include reviewing accounting systems and internal controls and performing selected tests of transactions and records as they deem appropriate. These auditing procedures are designed to provide reasonable assurance that the financial statements are free of material misstatement.

Management depends on its accounting systems and internal controls in meeting its responsibilities for reliable financial statements. In Management's opinion, these systems and controls provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with Management's authorizations. As an integral part of these systems and controls, the Company maintains a professional staff of internal auditors that conducts operational and special audits and coordinates audit coverage with the independent auditors.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the internal auditors, the independent auditors and Management to review the work of each and ensure that each is properly discharging its responsibilities. The independent auditors have free access to the Committee to discuss the results of their audit work and their evaluations of the adequacy of accounting systems and internal controls and the quality of financial reporting.

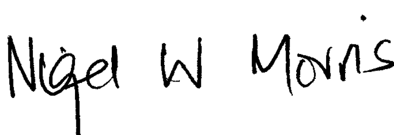
There are inherent limitations in the effectiveness of internal controls, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to reliability of financial statements and safeguarding of assets. Furthermore, because of changes in conditions, internal control effectiveness may vary over time.

The Company assessed its internal controls over financial reporting as of December 31, 2000, in relation to the criteria described in the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company believes that as of December 31, 2000, in all material respects, the Company maintained effective internal controls over financial reporting.



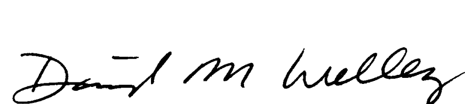
Richard D. Fairbank

Chairman and Chief
Executive Officer



Nigel W. Morris

President and Chief
Operating Officer



David M. Willey

Executive Vice President and
Chief Financial Officer

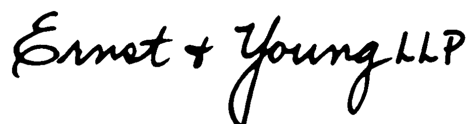
Report of Independent Auditors

THE BOARD OF DIRECTORS AND STOCKHOLDERS
CAPITAL ONE FINANCIAL CORPORATION

We have audited the accompanying consolidated balance sheets of Capital One Financial Corporation as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital One Financial Corporation at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.



McLean, Virginia
January 16, 2001, except for Note E as
to which the date is February 6, 2001

Consolidated Balance Sheets

December 31 (Dollars in Thousands, Except Per Share Data)	2000	1999
ASSETS:		
Cash and due from banks	$ 74,493	$ 134,065
Federal funds sold and resale agreements	60,600	
Interest-bearing deposits at other banks	101,614	112,432
Cash and cash equivalents	236,707	246,497
Securities available for sale	1,696,815	1,856,421
Consumer loans	15,112,712	9,913,549
Less: Allowance for loan losses	(527,000)	(342,000)
Net loans	14,585,712	9,571,549
Premises and equipment, net	664,461	470,732
Interest receivable	82,675	64,637
Accounts receivable from securitizations	1,143,902	661,922
Other	479,069	464,685
Total assets	$ 18,889,341	$ 13,336,443
LIABILITIES:		
Interest-bearing deposits	$ 8,379,025	$ 3,783,809
Other borrowings	2,925,938	2,780,466
Senior notes	4,050,597	4,180,548
Interest payable	122,658	116,405
Other	1,448,609	959,608
Total liabilities	16,926,827	11,820,836
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $.01 per share; authorized 50,000,000 shares, none issued or outstanding		
Common stock, par value $.01 per share; authorized 1,000,000,000 and 300,000,000 shares, and 199,670,421 issued as of December 31, 2000 and 1999, respectively	1,997	1,997
Paid-in capital, net	575,179	613,590
Retained earnings	1,471,106	1,022,296
Cumulative other comprehensive income (loss)	2,918	(31,262)
Less: Treasury stock, at cost; 2,301,476 and 2,624,006 shares as of December 31, 2000 and 1999, respectively	(88,686)	(91,014)
Total stockholders' equity	1,962,514	1,515,607
Total liabilities and stockholders' equity	$ 18,889,341	$ 13,336,443

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Year Ended December 31 (In Thousands, Except Per Share Data)	2000	1999	1998
Interest Income:			
Consumer loans, including fees	$ 2,286,774	$ 1,482,371	$ 1,003,122
Securities available for sale	96,554	105,438	94,436
Other	6,574	5,675	13,978
Total interest income	2,389,902	1,593,484	1,111,536
Interest Expense:			
Deposits	324,008	137,792	67,479
Other borrowings	202,034	100,392	96,130
Senior notes	274,975	302,698	260,675
Total interest expense	801,017	540,882	424,284
Net interest income	1,588,885	1,052,602	687,252
Provision for loan losses	718,170	382,948	267,028
Net interest income after provision for loan losses	870,715	669,654	420,224
Non-Interest Income:			
Servicing and securitizations	1,152,375	1,187,098	789,844
Service charges and other customer-related fees	1,644,264	1,040,944	611,958
Interchange	237,777	144,317	86,481
Total non-interest income	3,034,416	2,372,359	1,488,283
Non-Interest Expense:			
Salaries and associate benefits	1,023,367	780,160	476,389
Marketing	906,147	731,898	446,264
Communications and data processing	296,255	264,897	150,220
Supplies and equipment	252,937	181,663	112,101
Occupancy	112,667	72,275	45,337
Other	556,284	434,103	234,275
Total non-interest expense	3,147,657	2,464,996	1,464,586
Income before income taxes	757,474	577,017	443,921
Income taxes	287,840	213,926	168,690
Net income	$ 469,634	$ 363,091	$ 275,231
Basic earnings per share	$ 2.39	$ 1.84	$ 1.40
Diluted earnings per share	$ 2.24	$ 1.72	$ 1.32
Dividends paid per share	$ 0.11	$ 0.11	$ 0.11

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Stockholders' Equity

(Dollars in Thousands, Except Per Share Data)	Common Stock Shares	Common Stock Amount	Paid-In Capital, Net	Retained Earnings	Cumulative Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 1997	199,671,690	$ 1,997	$ 512,230	$ 425,140	$ 2,539	$ (48,647)	$ 893, 259
Comprehensive income:							
Net income				275,231			275,231
Other comprehensive income, net of income tax:							
Unrealized gains on securities, net of income taxes of $37,170					60,648		60,648
Foreign currency translation adjustments					(2,532)		(2,532)
Other comprehensive income					58,116		58,116
Comprehensive income							333,347
Cash dividends — $.11 per share				(20,533)			(20,533)
Purchases of treasury stock						(91,672)	(91,672)
Issuances of common stock			35,381			26,745	62,126
Exercise of stock options	4,500		(23,683)			43,323	19,640
Common stock issuable under incentive plan			70,038				70,038
Other items, net	(5,814)		4,201				4,201
Balance, December 31, 1998	199,670,376	1,997	598,167	679,838	60,655	(70,251)	1,270,406
Comprehensive income:							
Net income				363,091			363,091
Other comprehensive income, net of income tax:							
Unrealized losses on securities, net of income tax benefits of $58,759					(95,868)		(95,868)
Foreign currency translation adjustments					3,951		3,951
Other comprehensive loss					(91,917)		(91,917)
Comprehensive income							271,174
Cash dividends — $.11 per share				(20,653)			(20,653)
Purchases of treasury stock						(107,104)	(107,104)
Issuances of common stock			(1,628)			9,833	8,205
Exercise of stock options			(38,422)			76,508	38,086
Common stock issuable under incentive plan			49,236				49,236
Other items, net	45		6,237	20			6,257
Balance, December 31, 1999	199,670,421	1,997	613,590	1,022,296	(31,262)	(91,014)	1,515,607
Comprehensive income:							
Net income				**469,634**			**469,634**
Other comprehensive income, net of income tax:							
Unrealized gains on securities, net of income taxes of $19,510					**31,831**		**31,831**
Foreign currency translation adjustments					**2,349**		**2,349**
Other comprehensive income					**34,180**		**34,180**
Comprehensive income							**503,814**
Cash dividends — $.11 per share				**(20,824)**			**(20,824)**
Purchases of treasury stock						**(134,619)**	**(134,619)**
Issuances of common stock			**1,441**			**17,436**	**18,877**
Exercise of stock options			**(61,261)**			**119,511**	**58,250**
Common stock issuable under incentive plan			**17,976**				**17,976**
Other items, net			**3,433**				**3,433**
Balance, December 31, 2000	**199,670,421**	**$ 1,997**	**$ 575,179**	**$ 1,471,106**	**$ 2,918**	**$ (88,686)**	**$ 1,962,514**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Year Ended December 31 (In Thousands)	2000	1999	1998
Operating Activities:			
Net income	**$ 469,634**	$ 363,091	$ 275,231
Adjustments to reconcile net income to cash			
provided by operating activities:			
Provision for loan losses	**718,170**	382,948	267,028
Depreciation and amortization, net	**244,823**	172,623	108,173
Stock compensation plans	**17,976**	49,236	70,056
Increase in interest receivable	**(18,038)**	(11,720)	(141)
(Increase) decrease in accounts receivable from securitizations	**(468,205)**	65,208	(133,771)
Increase in other assets	**(63,538)**	(157,685)	(121,951)
Increase in interest payable	**6,253**	24,768	22,667
Increase in other liabilities	**489,001**	383,820	293,266
Net cash provided by operating activities	**1,396,076**	1,272,289	780,558
Investing Activities:			
Purchases of securities available for sale	**(407,572)**	(871,355)	(1,251,713)
Proceeds from sales of securities available for sale	**432,203**	719,161	112,277
Proceeds from maturities of securities available for sale	**172,889**	42,995	606,532
Proceeds from securitizations of consumer loans	**6,142,709**	2,586,517	4,616,972
Net increase in consumer loans	**(12,145,055)**	(6,763,580)	(6,144,640)
Recoveries of loans previously charged off	**239,781**	124,673	67,764
Additions of premises and equipment, net	**(374,018)**	(350,987)	(153,024)
Net cash used for investing activities	**(5,939,063)**	(4,512,576)	(2,145,832)
Financing Activities:			
Net increase in interest-bearing deposits	**4,595,216**	1,783,830	686,325
Net increase in other borrowings	**145,214**	1,038,010	735,288
Issuances of senior notes	**994,176**	1,453,059	1,323,700
Maturities of senior notes	**(1,125,292)**	(1,012,639)	(1,218,162)
Dividends paid	**(20,824)**	(20,653)	(20,533)
Purchases of treasury stock	**(134,619)**	(107,104)	(91,672)
Net proceeds from issuances of common stock	**21,076**	14,028	12,143
Proceeds from exercise of stock options	**58,250**	38,086	629
Net cash provided by financing activities	**4,533,197**	3,186,617	1,427,718
(Decrease) increase in cash and cash equivalents	**(9,790)**	(53,670)	62,444
Cash and cash equivalents at beginning of year	**246,497**	300,167	237,723
Cash and cash equivalents at end of year	**$ 236,707**	$ 246,497	$ 300,167

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(Currencies in Thousands, Except Per Share Data)

Note A

SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The Consolidated Financial Statements include the accounts of Capital One Financial Corporation (the "Corporation") and its subsidiaries. The Corporation is a holding company whose subsidiaries provide a variety of products and services to consumers. The principal subsidiaries are Capital One Bank (the "Bank"), which offers credit card products, and Capital One, F.S.B. (the "Savings Bank"), which offers consumer lending products (including credit cards) and deposit products. The Corporation and its subsidiaries are collectively referred to as the "Company."

The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles ("GAAP") that require 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. All significant intercompany balances and transactions have been eliminated.

The following is a summary of the significant accounting policies used in preparation of the accompanying Consolidated Financial Statements.

Cash and Cash Equivalents

Cash and cash equivalents includes cash and due from banks, federal funds sold and resale agreements and interest-bearing deposits at other banks. Cash paid for interest for the years ended December 31, 2000, 1999 and 1998, was $794,764, $516,114 and $401,095, respectively. Cash paid for income taxes for the years ended December 31, 2000, 1999 and 1998, was $237,217, $216,438 and $202,112, respectively.

Securities Available for Sale

Debt securities for which the Company does not have the positive intent and ability to hold to maturity are classified as securities available for sale. These securities are stated at fair value, with the unrealized gains and losses, net of tax, reported as a component of cumulative other comprehensive income. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization or accretion is included in other interest income.

Consumer Loans

The Company recognizes finance charges and fee income on loans according to the contractual provisions of the credit agreements. When, based on historic performance of the portfolio, payment in full of finance charge and fee income is not expected, the estimated uncollectible portion of previously accrued amounts are reversed against current period income. Annual membership fees and direct loan origination costs are deferred and amortized over one year on a straight-line basis. Deferred fees (net of deferred costs) were $237,513 and $243,172 as of December 31, 2000 and 1999, respectively. The Company charges off credit card loans (net of any collateral) at 180 days past the due date. Bankrupt consumers' accounts are generally charged off within thirty days of receipt of the bankruptcy petition.

Allowance for Loan Losses

The allowance for loan losses is maintained at the amount estimated to be sufficient to absorb probable future losses, net of recoveries (including recovery of collateral), inherent in the existing reported portfolio. The provision for loan losses is the periodic cost of maintaining an adequate allowance. The amount of allowance necessary is determined primarily based on a migration analysis of delinquent and current accounts. In evaluating the sufficiency of the allowance for loan losses, management also takes into consideration the following factors: recent trends in delinquencies and charge-offs including bankrupt, deceased and recovered amounts; historical trends in loan volume; forecasting uncertainties and size of credit risks; the degree of risk inherent in the composition of the loan portfolio; economic conditions; credit evaluations and underwriting policies.

Securitizations

The Company sells consumer loan receivables in securitization transactions accounted for as sales. Securitization involves the transfer by the Company of a pool of loan receivables to an entity created for securitizations, generally a trust or other special purpose entity (the "trusts"). Certificates representing beneficial interests in the receivables are sold to the public through an underwritten offering or to private investors in private placement transactions. The Company receives the proceeds of the sale. The securitization generally results in the removal of the receivables, other than retained interests, from the Company's balance sheet for financial and regulatory accounting purposes.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 125"), the Company records gains or losses on the securitization of consumer loan receivables on the date of sale based on the estimated fair value of assets sold and retained and liabilities incurred in the sale and are included

in servicing and securitizations income. The Company's retained interests in the securitized assets include "interest only"("I/O") strips, subordinated interests in the transferred receivables and cash collateral accounts. The servicing revenues associated with transferred receivables adequately compensate the Company for servicing the accounts. Accordingly, no servicing asset or liability has been recorded. The Company's retained interests are generally restricted or subordinated to investors' interests and their value is subject to substantial credit, prepayment and interest rate risks on the transferred financial assets. The investors and the trusts have no recourse to the Company's other assets for failure of debtors to pay when due.

The Company estimates the fair value of the I/O strip based on the present value of the estimated excess of finance charges and past-due fees over the sum of the return paid to certificateholders, estimated contractual servicing fees and credit losses. The I/O strip is carried at fair value in accounts receivable from securitizations, with changes in the fair value, except for declines in fair value that are other than temporary, reported as a component of cumulative other comprehensive income in accordance with the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Certain estimates inherent in the determination of the fair value of the I/O strip are influenced by factors outside the Company's control, and as a result, such estimates could materially change in the near term.

Subordinated interests in the transferred receivables and cash collateral accounts serve as forms of credit enhancement for investor interests in securitization transactions. Subordinated interests in the transferred receivables and cash collateral accounts are carried at cost, which approximates fair value.

Off-Balance Sheet Financial Instruments

The nature and composition of the Company's assets and liabilities and off-balance sheet items expose the Company to interest rate risk. The Company's foreign currency denominated assets and liabilities expose it to foreign currency exchange rate risk. To mitigate these risks, the Company uses certain types of derivative financial instruments. The Company enters into interest rate swap agreements ("interest rate swaps") in the management of its interest rate exposure. All of the Company's interest rate swaps are designated and effective as hedges of specific existing or anticipated assets or liabilities. The Company enters into forward foreign currency exchange contracts ("f/x contracts") and currency swaps to reduce its sensitivity to changing foreign currency exchange rates. All of the Company's f/x contracts and currency swaps are designated and effective as hedges of specific assets or liabilities. The Company does not hold or issue derivative financial instruments for trading purposes.

Swap agreements involve the periodic exchange of payments over the life of the agreements. Amounts paid or received on interest rate and currency swaps are recorded on an accrual basis as an adjustment to the related income or expense of the item to which the agreements are designated. As of December 31, 2000 and 1999, the related amounts payable to counterparties were $26,727 and $4,748, respectively. Changes in the fair value of interest rate swaps are not reflected in the accompanying financial statements, where designated to existing or anticipated assets or liabilities and where swaps effectively modify or reduce interest rate sensitivity.

F/x contracts represent an agreement to exchange a specified notional amount of two different currencies at a specified exchange rate on a specified future date. Changes in the fair value of f/x contracts and currency swaps are recorded in the period in which they occur as foreign currency gains or losses in other non-interest income, effectively offsetting the related gains or losses on the items to which they are designated.

Realized and unrealized gains or losses at the time of termination, sale or repayment of a derivative financial instrument are recorded in a manner consistent with its original designation. Amounts are deferred and amortized as an adjustment to the related income or expense over the original period of exposure, provided the designated asset or liability continues to exist, or in the case of anticipated transactions, is probable of occurring. Realized and unrealized changes in the fair value of swaps or f/x contracts, designated with items that no longer exist or are no longer probable of occurring, are recorded as a component of the gain or loss arising from the disposition of the designated item.

Interest rate and foreign currency exchange rate risk management contracts are generally expressed in notional principal or contract amounts that are much larger than the amounts potentially at risk for nonperformance by counterparties. In the event of nonperformance by the counterparties, the Company's credit exposure on derivative financial instruments is equal to the gross unrealized gains on the outstanding contracts. At December 31, 2000 and 1999, the gross unrealized gains in the portfolio were $23,890 and $83,314, respectively. The Company actively monitors the credit ratings of its counterparties. Under the terms of certain swaps, each party may be required to pledge collateral if the market value of the swaps exceeds an amount set forth in the agreement or in the event of a change in its credit rating. At December 31, 2000 and 1999, $55,364 and $58,717, respectively, of such collateral had been pledged to the Company.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expenses are computed generally by the straight-line method over the estimated useful lives of the assets. Useful lives for premises and equipment are as follows: buildings and improvements — 5–39 years; furniture and equipment — 3–10 years; computers and software — 3 years.

Marketing

The Company expenses marketing costs as incurred.

Credit Card Fraud Losses

The Company experiences fraud losses from the unauthorized use of credit cards. Transactions suspected of being fraudulent are charged to non-interest expense after a sixty-day investigation period.

Income Taxes

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Comprehensive Income

As of December 31, 2000 and 1999, cumulative other comprehensive income, net of tax, consisted of $777 and $32,608 in net unrealized losses on securities and $3,695 and $1,346 in foreign currency translation adjustments, respectively. As of December 31, 1998, cumulative other comprehensive income, net of tax, consisted of $63,260 in net unrealized gains on securities and $(2,605) in foreign currency translation adjustments. As of December 31, 2000, the net unrealized loss on securities was comprised of $18,332 of gross unrealized losses and $17,075 of gross unrealized gains. As of December 31, 1999, substantially all of the net unrealized loss on securities was comprised of gross unrealized losses.

Segments

The Company maintains three distinct business segments: lending, telecommunications and "other." The lending segment is comprised primarily of credit card lending activities. The telecommunications segment consists primarily of direct marketing wireless service. "Other" consists of various non-lending new business initiatives, none of which exceed the quantitative thresholds for reportable segments in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131").

The accounting policies of these reportable segments are the same as those described above. Management measures the performance of its business segments and makes resource allocation decisions based upon several factors, including income before taxes, less indirect expenses. Lending is the Company's only reportable business segment, based on the definitions provided in SFAS 131. Substantially all of the Company's reported assets, revenues and income are derived from the lending segment in all periods presented.

All revenue is generated from external customers and is predominantly derived in the United States. Revenues and operating losses from international operations comprised less than 6% and 9%, and 6% and 7%, of total managed revenues and operating income for the years ended December 31, 2000 and 1999, respectively.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133 was subsequently amended in June 1999 by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133," and in June 2000 by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – an amendment of FASB Statement No. 133." SFAS No. 133, SFAS No. 137 and SFAS No. 138 (all together "SFAS 133 as amended") will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. SFAS 133 as amended is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. Adoption of SFAS 133 as amended on January 1, 2001 will result in an increase in cumulative other comprehensive income of $27,222, net of taxes of $16,685.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of SFAS No. 125" ("SFAS 140"). SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain additional disclosures. The disclosure requirements and collateral provisions of SFAS 140 are effective for fiscal years ending after December 15, 2000, while the other provisions of the new standard apply prospectively to transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The adoption of SFAS 140 is not expected to have a material effect on the Company's financial position or the results of operations.

Note B

SECURITIES AVAILABLE FOR SALE

Securities available for sale as of December 31, 2000, 1999 and 1998 were as follows:

	Maturity Schedule					
	1 Year or Less	1–5 Years	5–10 Years	Over 10 Years	Market Value Totals	Amortized Cost Totals
DECEMBER 31, 2000						
U.S. Treasury and other U.S.						
government agency obligations	**$ 283,607**	**$ 893,745**	**$ 10,702**		**$ 1,188,054**	**$ 1,178,386**
Collateralized mortgage obligations			**20,867**	**$ 391,240**	**412,107**	**414,770**
Mortgage backed securities	**3,752**		**11,420**	**61,648**	**76,820**	**74,695**
Other	**16,260**	**1,380**	**343**	**1,851**	**19,834**	**19,986**
Total	**$ 303,619**	**$ 895,125**	**$ 43,332**	**$ 454,739**	**$ 1,696,815**	**$ 1,687,837**
DECEMBER 31, 1999						
Commercial paper	$ 24,927				$ 24,927	$ 24,927
U.S. Treasury and other U.S.						
government agency obligations	437,697	$ 1,014,335			1,452,032	1,471,783
Collateralized mortgage obligations			$ 37,421	$ 299,846	337,267	345,619
Mortgage backed securities		5,293	13,828		19,121	19,426
Other	19,443	1,361	441	1,829	23,074	23,254
Total	$ 482,067	$ 1,020,989	$ 51,690	$ 301,675	$ 1,856,421	$ 1,885,009
DECEMBER 31, 1998						
Commercial paper	$ 117,395				$ 117,395	$ 117,395
U.S. Treasury and other U.S.						
government agency obligations	125,831	$ 1,072,109	$ 17,051		1,214,991	1,196,313
Collateralized mortgage obligations			25,877	$ 401,443	427,320	426,485
Mortgage backed securities		8,337		7,265	15,602	15,210
Other	76	1,360	589	19,454	21,479	21,356
Total	$ 243,302	$ 1,081,806	$ 43,517	$ 428,162	$ 1,796,787	$ 1,776,759

	Weighted Average Yields			
	1 Year or Less	**1–5 Years**	**5–10 Years**	**Over 10 Years**
DECEMBER 31, 2000				
U.S. Treasury and other U.S.				
government agency obligations	**5.48%**	**6.05%**	**7.04%**	
Collateralized mortgage obligations			**7.04**	**6.35%**
Mortgage backed securities	**5.02**		**6.77**	**7.04**
Other	**6.09**	**3.93**	**6.47**	**6.89**
Total	**5.50%**	**6.05%**	**6.95%**	**6.44%**

Weighted average yields were determined based on amortized cost.

Note C

ALLOWANCE FOR LOAN LOSSES

The following is a summary of changes in the allowance for loan losses:

Year Ended December 31	2000	1999	1998
Balance at beginning of year	$ 342,000	$ 231,000	$ 183,000
Provision for loan losses	718,170	382,948	267,028
Acquisitions/other	(549)	3,522	7,503
Charge-offs	(772,402)	(400,143)	(294,295)
Recoveries	239,781	124,673	67,764
Net charge-offs	(532,621)	(275,470)	(226,531)
Balance at end of year	$ 527,000	$ 342,000	$ 231,000

Note D

PREMISES AND EQUIPMENT

Premises and equipment as of December 31, 2000 and 1999 were as follows:

December 31	2000	1999
Land	$ 10,917	$ 10,168
Buildings and improvements	279,979	197,434
Furniture and equipment	621,404	448,742
Computer software	140,712	86,626
In process	104,911	54,874
	1,157,923	797,844
Less: Accumulated depreciation and amortization	(493,462)	(327,112)
Total premises and equipment, net	$ 664,461	$ 470,732

Depreciation and amortization expense was $180,289, $122,778 and $75,005 for the years ended December 31, 2000, 1999 and 1998, respectively.

Note E

BORROWINGS

Borrowings as of December 31, 2000 and 1999 were as follows:

	2000		1999	
	Outstanding	Weighted Average Rate	Outstanding	Weighted Average Rate
INTEREST-BEARING DEPOSITS	$ 8,379,025	6.67%	$ 3,783,809	5.34%
OTHER BORROWINGS				
Secured borrowings	$ 1,773,450	6.76%	$ 1,344,790	6.65%
Junior subordinated capital income securities	98,436	8.31	98,178	7.76
Federal funds purchased and resale agreements	1,010,693	6.58	1,240,000	5.84
Other short-term borrowings	43,359	6.17	97,498	3.97
Total	$ 2,925,938		$ 2,780,466	
SENIOR NOTES				
Bank — fixed rate	$ 3,154,555	6.98%	$ 3,409,652	6.71%
Bank — variable rate	347,000	7.41	221,999	6.74
Corporation	549,042	7.20	548,897	7.20
Total	$ 4,050,597		$ 4,180,548	

Interest-bearing Deposits

As of December 31, 2000, the aggregate amount of interest-bearing deposits with accounts equal to or exceeding $100 was $3,697,888.

Secured Borrowings

Capital One Auto Finance Corporation (formerly Summit Acceptance Corporation), a subsidiary of the Company, currently maintains three agreements to transfer pools of consumer loans. The agreements were entered into in December 2000, May 2000 and May 1999, relating to the transfer of pools of consumer loans totaling $425,000, $325,000 and $350,000, respectively. Proceeds from the transfers were recorded as secured borrowings. Principal payments on the borrowings are based on principal collections net of losses on the transferred consumer loans. The borrowings accrue interest based on commercial paper rates and mature between June 2006 and October 2007, or earlier depending upon the repayment of the underlying consumer loans. At December 31, 2000, and 1999, $870,185 and $290,065, respectively, of the secured borrowings were outstanding.

In October 1999, the Bank entered into a £750,000 revolving credit facility collateralized by a security interest in certain consumer loan assets of the Company. Interest on the facility is based on commercial paper rates or London InterBank Offering Rates ("LIBOR"). The facility matures in 2001. At December 31, 2000, £600,000 ($895,800 equivalent) was outstanding under the facility.

Junior Subordinated Capital Income Securities

In January 1997, Capital One Capital I, a subsidiary of the Bank created as a Delaware statutory business trust, issued $100,000 aggregate amount of Floating Rate Junior Subordinated Capital Income Securities that mature on February 1, 2027. The securities represent a preferred beneficial interest in the assets of the trust.

Other Short-Term Borrowings

In August 2000, the Bank entered into a multicurrency revolving credit facility (the "Multicurrency Facility"). The Multicurrency Facility is intended to finance the Company's business in the United Kingdom and is comprised of two Tranches, each in the amount of Euro 300,000 ($270,800 equivalent based on the exchange rate at closing). The Tranche A facility is intended for general corporate purposes whereas the Tranche B facility is intended to replace and extend the Corporation's prior credit facility for U.K. pounds sterling and Canadian dollars, which matured on August 29, 2000. All borrowings under the Multicurrency Facility are based on varying terms of LIBOR. The Corporation serves as guarantor of all borrowings under the Multicurrency Facility. In October 2000, the Bank's subsidiary, Capital One Bank Europe plc, replaced the Bank as a borrower under the Bank's guarantee. Tranche A of the commitment terminates on August 9, 2001, and Tranche B of the commitment terminates August 9, 2004. As of December 31, 2000, the Company had no outstandings under the Multicurrency Facility.

In August 2000, the Company entered into four bilateral revolving credit facilities with different lenders (the "Bilateral Facilities"). The Bilateral Facilities were entered into to finance the Company's business in Canada and for general corporate purposes. Two of the Bilateral Facilities are for Capital One Inc., guaranteed by the Corporation, and are each in the amount of C$100,000 ($67,400 equivalent based on the exchange rate at closing) with interest rates based on varying terms of the lenders' cost of funds. The other two Bilateral Facilities are for the Corporation in the amount of $70,000 and $30,000 with interest rates based on varying terms of LIBOR. In February 2001, the two Bilateral Facilities for Capital One Inc. were terminated. The two remaining Bilateral Facilities will terminate on August 10, 2001. As of December 31, 2000, the Company had $36,689 outstanding under the Bilateral Facilities.

In May 1999, the Company entered into a four-year, $1,200,000 unsecured revolving credit arrangement (the "Credit Facility"). The Credit Facility is comprised of two tranches: a $810,000 Tranche A facility available to the Bank and the Savings Bank, including an option for up to $250,000 in multicurrency availability, and a $390,000 Tranche B facility available to the Corporation, the Bank and the Savings Bank, including an option for up to $150,000 in multicurrency availability. Each tranche under the facility is structured as a four-year commitment and is available for general corporate purposes. All borrowings under the Credit Facility are based on varying terms of LIBOR. The Bank has irrevocably undertaken to honor any demand by the lenders to repay any borrowings which are due and payable by the Savings Bank but which have not been paid. Any borrowings under the Credit Facility will mature on May 24, 2003; however, the final maturity of each tranche may be extended for three additional one-year periods with the lenders' consent. As of December 31, 2000 and 1999, the Company had no outstandings under the Credit Facility.

Bank Notes

In June 2000, the Bank entered into a Global Bank Note Program, from which it may issue and sell up to a maximum of U.S. $5,000,000 aggregate principal amount (or the equivalent thereof in other currencies) of senior global bank notes and subordinated global bank notes with maturities from 30 days to 30 years. This Global Bank Note Program must be renewed annually. As of December 31, 2000, the Bank had $994,794 outstanding with maturities of three and five years. On February 6, 2001, the Bank also issued a $1,250,000 five-year fixed rate senior bank note under the program. The Company has historically issued senior unsecured debt of the Bank through its Domestic Bank Note Program. Under this bank note program, the Bank from time to time may issue senior bank notes at fixed or variable rates tied to LIBOR with maturities from thirty days to thirty years. The aggregate principal amount available for issuance under the program is $8,000,000 (of which, up to $200,000 may be subordinated bank notes). As of December 31, 2000 and 1999, there were $2,501,761 and $3,626,651 outstanding under the Domestic Bank Note Program, with no subordinated bank notes issued or outstanding.

The Bank has established a program for the issuance of debt instruments to be offered outside of the United States. Under this program, the Bank from time to time may issue instruments in the aggregate principal amount of $1,000,000 equivalent outstanding at any one time ($5,000 outstanding as of December 31, 2000 and 1999). Instruments under this program may be denominated in any currency or currencies. The Bank did not renew this program in 2000 and it is no longer available for issuances.

The Corporation has three shelf registration statements under which the Corporation from time to time may offer and sell (i) senior or subordinated debt securities, consisting of debentures, notes and/or other unsecured evidences, (ii) preferred stock, which may be issued in the form of depository shares evidenced by depository receipts and (iii) common stock. The amount of securities registered is limited to a $1,550,000 aggregate public offering price or its equivalent (based on the applicable exchange rate at the time of sale) in one or more foreign currencies, currency units or composite currencies as shall be designated by the Corporation. At December 31, 2000, the Corporation had existing unsecured senior debt outstanding under the shelf registrations of $550,000 including $125,000 maturing in 2003, $225,000 maturing in 2006, and $200,000 maturing in 2008. In January 2001, the Corporation also issued 6,750,390 shares of common stock in a public offering under the shelf registrations. The net proceeds from the issuance were $412,786. Proceeds from the sale of stock are to be used for general corporate purposes.

Interest-bearing deposits, other borrowings and senior notes as of December 31, 2000, mature as follows:

	Interest-bearing Deposits	Other Borrowings	Senior Notes	Total
2001	$ 4,094,147	$ 2,205,158	$ 665,000	$ 6,964,305
2002	1,323,608	241,452	532,620	2,097,680
2003	817,722	209,573	1,105,689	2,132,984
2004	604,712	125,352	295,000	1,025,064
2005	1,234,959	45,967	811,294	2,092,220
Thereafter	303,877	98,436	640,994	1,043,307
Total	$ 8,379,025	$ 2,925,938	$ 4,050,597	$ 15,355,560

Note F

ASSOCIATE BENEFIT AND STOCK PLANS

The Company sponsors a contributory Associate Savings Plan in which substantially all full-time and certain part-time associates are eligible to participate. The Company makes contributions to each eligible employee's account, matches a portion of associate contributions and makes discretionary contributions based upon the Company meeting a certain earnings per share target. The Company's contributions to this plan were $44,486, $27,157 and $16,357 for the years ended December 31, 2000, 1999 and 1998, respectively.

The Company has five stock-based compensation plans. The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for its stock-based compensation plans. In accordance with APB 25, no compensation cost has been recognized for the Company's fixed stock options, since the exercise price of all options equals or exceeds the market price of the underlying stock on the date of grant, nor for the Associate Stock Purchase Plan (the "Purchase Plan"), which is considered to be noncompensatory. For the performance-based option grants discussed below, compensation cost is measured as the difference between the exercise price and the target stock price required for vesting and is recognized over the estimated vesting period. The Company recognized $10,994, $44,542 and $70,038 of compensation cost relating to its associate stock plans for the years ended December 31, 2000, 1999 and 1998, respectively.

SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") requires, for companies electing to continue to follow the recognition provisions of APB 25, pro forma information regarding net income and earnings per share, as if the recognition provisions of SFAS 123 were adopted for stock options granted subsequent to December 31, 1994. For purposes of pro forma disclosure, the fair value of the options was estimated at the date of grant using a Black-Scholes option-pricing model with the weighted average assumptions described below and is amortized to expense over the options' vesting period.

Year Ended December 31	**2000**	1999	1998
ASSUMPTIONS			
Dividend yield	**.21%**	.24%	.32%
Volatility factors of expected market price of stock	**49%**	45%	40%
Risk-free interest rate	**6.09%**	5.29%	5.44%
Expected option lives (in years)	**4.5**	5.4	5.2
PRO FORMA INFORMATION			
Net income	**$ 412,987**	$ 325,701	$ 287,637
Basic earnings per share	**$ 2.10**	$ 1.65	$ 1.46
Diluted earnings per share	**$ 1.97**	$ 1.55	$ 1.38

Under the 1994 Stock Incentive Plan, the Company has reserved 45,112,640 common shares as of December 31, 2000, for issuance in the form of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock and incentive stock. The exercise price of each stock option issued to date equals or exceeds the market price of the Company's stock on the date of grant. Each option's maximum term is ten years. The number of shares available for future grants was 1,221,281, 2,191,884 and 2,178,669 as of December 31, 2000, 1999 and 1998, respectively. Other than the performance-based options discussed below, options generally vest annually or on a fixed date over three years and expire beginning November 2004.

In April 1999, the Company established the 1999 Stock Incentive Plan. Under the plan, the Company has reserved 600,000 common shares for issuance in the form of nonstatutory stock options. The exercise price of each stock option equals or exceeds the market price of the Company's stock on the date of grant. The maximum term of each option is ten years. As of December 31, 2000 and 1999, the number of shares available for future grant was 294,800 and 283,800, respectively. All options granted under the plan to date were granted on April 29, 1999, and expire on April 29, 2009. These options vested immediately upon the optionee's execution of an intellectual property protection agreement with the Company.

In May 2000, the Company's Board of Directors approved a special stock option grant to certain members of the Company's management. This grant was composed of 1,690,380 options to all managers, excluding the Company's Chief Executive Officer and Chief Operating Officer, at the fair market value on the date of grant. All options under this grant will vest ratably over three years.

In April 1999, the Company's Board of Directors approved a stock option grant to senior management ("EntrepreneurGrant IV"). This grant was composed of 7,636,107 options to certain key managers (including 1,884,435 options to the Company's Chief Executive Officer ["CEO"] and Chief Operating Officer ["COO"]) with an exercise price equal to the fair market value on the date of grant. The CEO and COO gave up their salaries for the year 2001 and their annual cash incentives, annual option grants and Senior Executive Retirement Plan contributions for the years 2000 and 2001 in exchange for their EntrepreneurGrant IV options. Other members of senior management gave up all potential annual stock option grants for 1999 and 2000 in exchange for this one-time grant. All options under this grant will vest on April 29, 2008, or earlier if the common stock's fair market value is at or above $100 per share for at least ten trading days in any thirty consecutive calendar day period on or before June 15, 2002, or upon a change of control of the Company. These options will expire on April 29, 2009.

In June 1998, the Company's Board of Directors approved a grant to executive officers ("EntrepreneurGrant III"). This grant consisted of 2,611,896 performance-based options granted to certain key managers (including 2,000,040 options to the Company's CEO and COO), which were approved by the stockholders in April 1999, at the then market price of $33.77 per share. The Company's CEO and COO gave up 300,000 and 200,010 vested options (valued at $8,760 in total), respectively, in exchange for their EntrepreneurGrant III options. Other executive officers gave up future cash compensation for each of the next three years in exchange for the options. These options vested in September 2000 when the market price of the Company's stock remained at or above $58.33 for at least ten trading days in a thirty consecutive calendar day period.

In April 1998, upon stockholder approval, a 1997 stock option grant to senior management ("EntrepreneurGrant II") became effective at the December 18, 1997 market price of $16.25 per share. This grant included 3,429,663 performance-based options granted to certain key managers (including 2,057,265 options to the Company's CEO and COO), which vested in April 1998 when the market price of the Company's stock remained at or above $28.00 for at least ten trading days in a thirty consecutive calendar day period. The grant also included 671,700 options that vested in full on December 18, 2000.

In April 1999 and 1998, the Company granted 1,045,362 and 1,335,252 options, respectively, to all associates not granted options in the EntrepreneurGrant II or EntrepreneurGrant IV. Certain associates were granted options in exchange for giving up future compensation. Other associates were granted a set number of options. These options were granted at the then market price of $56.46 and $31.71 per share, respectively, and vest, in full, on April 29, 2002, and April 30, 2001, respectively, or immediately upon a change in control of the Company.

The Company maintains two non-associate directors stock incentive plans, the 1995 Non-Employee Directors Stock Incentive Plan and the 1999 Non-Employee Directors Stock Incentive Plan. The 1995 plan originally authorized 1,500,000 shares of the Company's common stock for the automatic grant of restricted stock and stock options to eligible members of the Company's Board of Directors. However, in April 1999, the Company terminated the 1995 plan. The options vest after one year and their maximum term is ten years. The exercise price of each option equals the market price of the Company's stock on the date of grant. As of December 31, 2000, there was no outstanding restricted stock under this plan.

In April 1999, the Company established the 1999 Non-Employee Directors Stock Incentive Plan. The plan authorizes a maximum of 525,000 shares of the Company's common stock for the grant of nonstatutory stock options to eligible members of the Company's Board of Directors. In April 1999, all non-employee directors of the Company were given the option to receive performance-based options under this plan in lieu of their annual cash retainer and their time-vesting options for 1999, 2000 and 2001. As a result, 497,490 performance-based options were granted to the non-employee directors of the Company. The options vest in full if, on or before June 15, 2002, the market value of the Company's stock equals or exceeds $100 per share for ten trading days in a thirty consecutive calendar day period. All options vest immediately upon a change of control of the Company. As of December 31, 2000, 27,510 shares were available for grant under this plan. All options under this plan have a maximum term of ten years. The exercise price of each option equals or exceeds the market price of the Company's stock on the date of grant.

A summary of the status of the Company's options as of December 31, 2000, 1999 and 1998, and changes for the years then ended is presented below:

	2000		1999		1998	
	Options (000s)	**Weighted-Average Exercise Price Per Share**	Options (000s)	Weighted-Average Exercise Price Per Share	Options (000s)	Weighted-Average Exercise Price Per Share
Outstanding at beginning of year	**37,058**	**$ 27.24**	29,139	$ 15.99	21,375	$ 9.22
Granted	**4,063**	**51.14**	10,541	55.71	10,350	27.97
Exercised	**(3,330)**	**12.20**	(2,111)	11.44	(2,226)	6.76
Canceled	**(1,102)**	**49.79**	(511)	38.17	(360)	17.32
Outstanding at end of year	**36,689**	**$ 30.57**	37,058	$ 27.24	29,139	$ 15.99
Exercisable at end of year	**22,108**	**$ 16.48**	19,635	$ 12.16	17,898	$ 10.16
Weighted-average fair value of options granted during the year		**$ 23.41**		$ 25.92		$ 11.82

The following table summarizes information about options outstanding as of December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding (000s)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price Per Share	Number Exercisable (000s)	Weighted-Average Exercise Price Per Share
$4.31–$6.46	**3,504**	**3.89 years**	**$ 5.39**	**3,504**	**$ 5.39**
$6.47–$9.70	**317**	**4.99**	**8.05**	**317**	**8.05**
$9.71–$14.56	**9,590**	**5.00**	**10.29**	**9,590**	**10.29**
$14.57–$21.85	**3,865**	**6.96**	**16.08**	**3,865**	**16.08**
$21.86–$32.79	**1,212**	**7.38**	**31.66**	**140**	**31.38**
$32.80–$49.20	**7,652**	**8.12**	**39.73**	**4,235**	**35.94**
$49.21–$60.00	**10,549**	**8.55**	**56.60**	**457**	**55.74**

Under the Company's Purchase Plan, associates of the Company are eligible to purchase common stock through monthly salary deductions of a maximum of 15% and a minimum of 1% of monthly base pay. To date, the amounts deducted are applied to the purchase of unissued common or treasury stock of the Company at 85% of the current market price. Shares may also be acquired on the market. An aggregate of three million common shares has been authorized for issuance under the Purchase Plan, of which 929,084 shares were available for issuance as of December 31, 2000.

On November 16, 1995, the Board of Directors of the Company declared a dividend distribution of one Right for each outstanding share of common stock. As amended, each Right entitles a registered holder to purchase from the Company one three-hundredth of a share of the Company's authorized Cumulative Participating Junior

Preferred Stock (the "Junior Preferred Shares") at a price of $200 per one three-hundredth of a share, subject to adjustment. The Company has reserved 1,000,000 shares of its authorized preferred stock for the Junior Preferred Shares. Because of the nature of the Junior Preferred Shares' dividend and liquidation rights, the value of the one three-hundredth interest in a Junior Preferred Share purchasable upon exercise of each Right should approximate the value of one share of common stock. Initially, the Rights are not exercisable and trade automatically with the common stock. However, the Rights generally become exercisable and separate certificates representing the Rights will be distributed, if any person or group acquires 15% or more of the Company's outstanding common stock or a tender offer or exchange offer is announced for the Company's common stock. Upon such event, provisions would also be made so that each holder of a Right, other than the acquiring person or group, may exercise the Right and buy common stock with a market value of twice the $200 exercise price. The Rights expire on November 29, 2005, unless earlier redeemed by the Company at $0.01 per Right prior to the time any person or group acquires 15% of the outstanding common stock. Until the Rights become exercisable, the Rights have no dilutive effect on earnings per share.

In July 1997, the Company's Board of Directors voted to repurchase up to six million shares of the Company's common stock to mitigate the dilutive impact of shares issuable under its benefit plans, including its Purchase Plan, dividend reinvestment plan and stock incentive plans. In July 1998 and February 2000, the Company's Board of Directors voted to increase this amount by 4.5 million and 10 million shares, respectively, of the Company's common stock. For the years ended December 31, 2000, 1999 and 1998, the Company repurchased 3,028,600, 2,250,000 and 2,687,400 shares, respectively, under this program. Certain treasury shares have been reissued in connection with the Company's benefit plans.

Note G

OTHER NON-INTEREST EXPENSE

Year Ended December 31	**2000**	1999	1998
Professional services	**$ 163,905**	$ 145,398	$ 66,591
Collections	**156,592**	101,000	59,503
Bankcard association assessments	**51,726**	33,301	23,163
Fraud losses	**53,929**	22,476	10,278
Other	**130,132**	131,928	74,740
Total	**$ 556,284**	$ 434,103	$ 234,275

Note H

INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2000 and 1999 were as follows:

December 31	**2000**	1999
DEFERRED TAX ASSETS:		
Allowance for loan losses	**$ 155,218**	$ 117,375
Finance charge, fee and other income receivables	**171,516**	111,599
Stock incentive plan	**56,615**	51,680
Foreign taxes	**12,366**	
State taxes, net of federal benefit	**18,560**	15,131
Other	**79,379**	43,495
Subtotal	**493,654**	339,280
Valuation allowance	**(35,642)**	(20,763)
Total deferred tax assets	**458,012**	318,517
DEFERRED TAX LIABILITIES:		
Securitizations	**38,307**	44,557
Deferred revenue	**222,106**	97,397
Other	**39,591**	17,110
Total deferred tax liabilities	**300,004**	159,064
Net deferred tax assets before unrealized losses on securities available for sale	**158,008**	159,453
Unrealized losses on securities available for sale	**478**	13,369
Net deferred tax assets	**$ 158,486**	$ 172,822

During 2000, the Company increased its valuation allowance by $14,879 for certain state and international loss carryforwards generated during the year.

Significant components of the provision for income taxes attributable to continuing operations were as follows:

Year Ended December 31	**2000**	1999	1998
Federal taxes	**$ 284,661**	$ 232,910	$ 244,536
State taxes	**578**	754	471
International taxes	**1,156**		
Deferred income taxes	**1,445**	(19,738)	(76,317)
Income taxes	**$ 287,840**	$ 213,926	$ 168,690

The reconciliation of income tax attributable to continuing operations computed at the U.S. federal statutory tax rate to income tax expense was:

Year Ended December 31	2000	1999	1998
Income tax at statutory federal tax rate	**35.00%**	35.00%	35.00%
Other	**3.00**	2.07	3.00
Income taxes	**38.00%**	37.07%	38.00%

Note I

EARNINGS PER SHARE

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

Year Ended December 31 (Shares in Thousands)	2000	1999	1998
NUMERATOR:			
Net income	**$ 469,634**	$ 363,091	$ 275,231
DENOMINATOR:			
Denominator for basic earnings per share — Weighted-average shares	**196,478**	197,594	196,769
Effect of dilutive securities:			
Stock options	**12,971**	13,089	11,990
Restricted stock			6
Dilutive potential common shares	**12,971**	13,089	11,996
Denominator for diluted earnings per share — Adjusted weighted-average shares	**209,449**	210,683	208,765
Basic earnings per share	**$ 2.39**	$ 1.84	$ 1.40
Diluted earnings per share	**$ 2.24**	$ 1.72	$ 1.32

Options to purchase approximately 5,496,000, 5,200,000 and 6,436,000 shares of common stock during 2000, 1999 and 1998, respectively, were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, their inclusion would be antidilutive.

Note J

REGULATORY MATTERS

The Bank and the Savings Bank are subject to capital adequacy guidelines adopted by the Federal Reserve Board (the "Federal Reserve") and the Office of Thrift Supervision (the "OTS") (collectively, the "regulators"), respectively. The capital adequacy guidelines and the regulatory framework for prompt corrective action require the Bank and the Savings Bank to maintain specific capital levels based upon quantitative measures of their assets, liabilities and off-balance sheet items. The inability to meet and maintain minimum capital adequacy levels could result in the regulators taking actions that could have a material effect on the Company's consolidated financial statements. Additionally, the regulators have broad discretion in applying higher capital requirements. Regulators consider a range of factors in determining capital adequacy, such as an institution's size, quality and stability of earnings, interest rate risk exposure, risk diversification, management expertise, asset quality, liquidity and internal controls.

The most recent notifications received from the regulators categorized the Bank and the Savings Bank as "well-capitalized." To be categorized as "well-capitalized," the Bank and the Savings Bank must maintain minimum capital ratios as set forth in the following table. As of December 31, 2000, there were no conditions or events since the notifications discussed above that management believes would have changed either the Bank or the Savings Bank's capital category.

	Ratios	Minimum For Capital Adequacy Purposes	To Be "Well-Capitalized" Under Prompt Corrective Action Provisions
DECEMBER 31, 2000			
Capital One Bank			
Tier 1 Capital	**9.30%**	**4.00%**	**6.00%**
Total Capital	**11.38**	**8.00**	**10.00**
Tier 1 Leverage	**10.02**	**4.00**	**5.00**
Capital One, F.S.B.			
Tier 1 Capital	**8.24%**	**4.00%**	**6.00%**
Total Capital	**10.90**	**8.00**	**10.00**
Tier 1 Leverage	**6.28**	**4.00**	**5.00**
DECEMBER 31, 1999			
Capital One Bank			
Tier 1 Capital	10.64%	4.00%	6.00%
Total Capital	13.11	8.00	10.00
Tier 1 Leverage	11.13	4.00	5.00
Capital One, F.S.B.			
Tier 1 Capital	9.06%	4.00%	6.00%
Total Capital	10.69	8.00	10.00
Tier 1 Leverage	8.08	4.00	5.00

In August 2000, the Bank received regulatory approval and established a subsidiary bank in the United Kingdom. In connection with the approval of its former branch office in the United Kingdom, the Company committed to the Federal Reserve that, for so long as the Bank maintains a branch or subsidiary bank in the United Kingdom, the Company will maintain a minimum Tier 1 Leverage ratio of 3.0%. As of December 31, 2000 and 1999, the Company's Tier 1 Leverage ratio was 11.14% and 12.79%, respectively.

Additionally, certain regulatory restrictions exist that limit the ability of the Bank and the Savings Bank to transfer funds to the Corporation. As of December 31, 2000, retained earnings of the Bank and the Savings Bank of $209,000 and $35,900, 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 thirty days advance notice of any proposed dividend and the OTS, in its discretion, may object to such dividend.

Note K

COMMITMENTS AND CONTINGENCIES

As of December 31, 2000, the Company had outstanding lines of credit of approximately $87,500,000 committed to its customers. Of that total commitment, approximately $58,000,000 was unused. While this amount represented the total available lines of credit to customers, the Company has not experienced, and does not anticipate, that all of its customers will exercise their entire available line at any given point in time. The Company generally has the right to increase, reduce, cancel, alter or amend the terms of these available lines of credit at any time.

Certain premises and equipment are leased under agreements that expire at various dates through 2015, without taking into consideration available renewal options. Many of these leases provide for payment by the lessee of property taxes, insurance premiums, cost of maintenance and other costs. In some cases, rentals are subject to increase in relation to a cost of living index. Total expenses amounted to $66,108, $37,685 and $18,242 for the years ended December 31, 2000, 1999 and 1998 respectively.

Future minimum rental commitments as of December 31, 2000, for all non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

2001	**$ 54,439**
2002	**56,930**
2003	**50,928**
2004	**33,467**
2005	**29,146**
Thereafter	**88,056**
Total	**$ 312,966**

In December 2000, the Company entered into a 10-year agreement for the lease of a headquarters building being constructed in McLean, Virginia. Monthly rents will commence upon completion, which is expected in December 2002. The Company guarantees a residual value of up to approximately 72% of the estimated $159,500 cost of the buildings in the lease agreement.

In 1999, the Company entered into two three-year agreements for the lease of four facilities located in Tampa, Florida and Federal Way, Washington. Monthly rent commences upon completion of each of the buildings. At December 31, 2000, the construction of two of the facilities has been completed and rent payments have commenced. The Company has a one year renewal option under the terms of the leases. The Company guarantees a residual value to the lessor of up to approximately 85% of the cost of the buildings in the lease agreement.

In 1998, the Company entered into a five-year lease of five facilities in Tampa, Florida and Richmond, Virginia. The Company has two one-year renewal options under the terms of the lease. If, at the end of the lease term, the Company does not purchase all of the properties, the Company guarantees a residual value to the lessor of up to approximately 84% of the costs of the buildings.

In connection with the transfer of substantially all of Signet Bank's credit card business to the Bank in November 1994, the Company and the Bank agreed to indemnify Signet Bank (which was acquired by First Union on November 30, 1997) for certain liabilities incurred in litigation arising from that business, which may include liabilities, if any, incurred in the purported class action case described below.

During 1995, the Company and the Bank became involved in a purported class action suit relating to certain collection practices engaged in by Signet Bank and, subsequently, by the Bank. The complaint in this case alleges that Signet Bank and/or the Bank violated a variety of California state statutes and constitutional and common law duties by filing collection lawsuits, obtaining judgements and pursuing garnishment proceedings in the Virginia state courts against defaulted credit card customers who were not residents of Virginia. This case was filed in the Superior Court of California in the County of Alameda, Southern Division, on behalf of a class of California residents. The complaint in this case seeks unspecified statutory damages, compensatory damages, punitive damages, restitution, attorneys' fees and costs, a permanent injunction and other equitable relief.

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

Subsequently, the Bank moved for summary judgment on the two remaining counts and for a ruling that a class cannot be certified in this case. The motion for summary judgment was granted in favor of the Bank on both counts, but the plaintiffs were granted leave to amend their complaint. Plaintiffs have filed an Amended Complaint, to which the Bank filed demurrers and motions to strike; those responses are pending before the court.

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

The Company is commonly subject to various other pending and threatened legal actions arising from the conduct of its normal business activities. In the opinion of management, the ultimate aggregate liability, if any, arising out of any pending or threatened action will not have a material adverse effect on the consolidated financial condition of the Company. At the present time, however, management is not in a position to determine whether the resolution of pending or threatened litigation will have a material effect on the Company's results of operations in any future reporting period.

Note L

RELATED PARTY TRANSACTIONS

In the ordinary course of business, executive officers and directors of the Company may have consumer loans issued by the Company. Pursuant to the Company's policy, such loans are issued on the same terms as those prevailing at the time for comparable loans to unrelated persons and do not involve more than the normal risk of collectibility.

Note M

SECURITIZATIONS

During 2000 and 1999, the Company transferred $6,142,709 ($141,140 international) and $2,586,517 ($47,642 international), respectively, of consumer loan receivables in securitization transactions accounted for as sales in accordance with the provisions of SFAS 125. At December 31, 2000, the fair value of the retained interests relating to securitizations of consumer loan receivables totaled $408,447.

The key assumptions used in determining the fair value of retained interests at December 31, 2000, included a weighted average charge-off rate of 4%, an average prepayment rate of 16%, an average life for receivables of seven months and a discount rate of 12%. The fair value of the Company's retained interests at December 31, 2000, would decrease by $16,733, $5,912 and $245 from a 10% adverse change in the assumed charge-off rate, prepayment rate and discount rate, respectively. The fair value of the Company's retained interests at December 31, 2000, would decrease by $33,467, $10,626 and $488 from a 20% adverse change in the assumed charge-off rate, prepayment rate and discount rate, respectively. These sensitivities are hypothetical and should be used with caution. A change in fair value based on a 10% or 20% variation in assumptions cannot necessarily be extrapolated because the relationship of change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independent from any change in another assumption, however, changes in one factor may result in changes in other factors, which might magnify or counteract the sensitivities. During 2000, the Company recognized $30,466 in gains related to the transfer of receivables accounted for as sales. The Company also received other cash flows from the securitization trusts of $72,540 for servicing the transferred receivables and $1,025,436 of net interest income relating to the transferred receivables, including $34,007 for interest income relating to subordinated interests retained by the Company. Additionally, collections reinvested in revolving period securitizations were $18,566,784.

At December 31, 2000, the Company's managed consumer loan portfolio of $29,524,026 is comprised of $15,112,712 in reported consumer loans and $14,411,314 in off-balance sheet consumer loans. At December 31, 2000, the Company's 30-plus days loan delinquency on a reported and managed basis were $1,097,311, or 7.26%, and $1,544,654, or 5.23%, respectively. Net charge-offs include the principal amount of losses (excluding accrued and unpaid finance charges, fees, and fraud losses) less current period recoveries. The Company charges off loans (net of collateral) at 180 days past due. The Company's net charge-offs for the year ended December 31, 2000, on a reported and managed basis were $532,621, or 4.64% of average reported loans, and $883,667, or 3.90% of average managed loans, respectively.

The key assumptions used in determining the fair value of retained interests resulting from securitizations of consumer loan receivables completed during the period included weighted average charge-off rates ranging from 4% to 6%, weighted average prepayment rates ranging from 13% to 16%, weighted average life for receivables ranging from 7 to 8 months and weighted average discount rates ranging from 11% to 13%. Static pool credit losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of asset. Due to the short term revolving nature of consumer loan receivables, the weighted average percentage of static pool credit losses is not considered to be materially different from the assumed charge-off rates used to determine the fair value of retained interests.

Note N

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The Company has entered into interest rate swaps to effectively convert certain interest rates on bank notes from variable to fixed. The pay-fixed, receive-variable swaps, which had a notional amount totaling $157,000 as of December 31, 2000, will mature from 2001 to 2007 to coincide with maturities of the variable bank notes to which they are designated. The Company has also entered into interest rate swaps and amortizing notional interest rate swaps to effectively reduce the interest rate sensitivity of loan securitizations. These pay-fixed, receive-variable interest rate swaps and amortizing notional interest rate swaps had notional amounts totaling $2,050,000 and $1,991,062 respectively, as of December 31, 2000. The interest rate swaps will mature from 2002 to 2005 and the amortizing notional interest rate swaps will fully amortize between 2004 and 2006 to coincide with the estimated paydown of the securitizations to which they are designated. The Company also had a pay-fixed, receive-variable, interest rate swap with an amortizing notional amount of $545,000 as of December 31, 2000, which will amortize through 2003 to coincide with the estimated attrition of the fixed rate Canadian dollar consumer loans to which it is designated.

The Company has also entered into currency swaps that effectively convert fixed rate pound sterling interest receipts to fixed rate U.S. dollar interest receipts on pound sterling denominated assets.

These currency swaps had notional amounts totaling $261,000 as of December 31, 2000, and mature from 2001 to 2005, coinciding with the repayment of the assets to which they are designated.

The Company has entered into f/x contracts to reduce the Company's sensitivity to foreign currency exchange rate changes on its foreign currency denominated assets and liabilities. As of December 31, 2000, the Company had f/x contracts with notional amounts totaling $665,284 maturing in 2001 to coincide with the repayment of the assets to which they are designated.

Note O

SIGNIFICANT CONCENTRATION OF CREDIT RISK

The Company is active in originating consumer loans, primarily in the United States. The Company reviews each potential customer's credit application and evaluates the applicant's financial history and ability and willingness to repay. Loans are made primarily on an unsecured basis; however, certain loans require collateral in the form of cash deposits. International consumer loans are originated primarily in Canada and the United Kingdom. The geographic distribution of the Company's consumer loans was as follows:

December 31	2000		1999	
Geographic Region:		**Percentage Loans of Total**		Percentage Loans of Total
South	**$ 9,869,290**	**33.43%**	$ 6,751,599	33.36%
West	**5,962,360**	**20.19**	4,037,714	19.95
Northeast	**5,014,855**	**16.99**	3,362,044	16.62
Midwest	**5,694,318**	**19.29**	3,644,444	18.01
International	**2,983,203**	**10.10**	2,440,787	12.06
	29,524,026	**100.00%**	20,236,588	100.00%
Less securitized balances	**(14,411,314)**		(10,323,039)	
Total	**$ 15,112,712**		$ 9,913,549	

Note P

DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following discloses the fair value of financial instruments as of December 31, 2000 and 1999, whether or not recognized in the balance sheets. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. As required under GAAP, these disclosures exclude certain financial instruments and all non-financial instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments as of December 31, 2000 and 1999:

Cash and Cash Equivalents

The carrying amounts of cash and due from banks, federal funds sold and resale agreements and interest-bearing deposits at other banks approximated fair value.

Securities Available for Sale

The fair value of securities available for sale was determined using current market prices. See Note B for fair values by type of security.

Consumer Loans

The net carrying amount of consumer loans approximated fair value due to the relatively short average life and variable interest rates on a substantial number of these loans. This amount excluded any value related to account relationships.

Interest Receivable

The carrying amount approximated fair value.

Accounts Receivable from Securitizations

The carrying amount approximated fair value.

Borrowings

The carrying amount of interest-bearing deposits, secured borrowings, federal funds purchased and resale agreements, and other short-term borrowings approximates fair value. The fair value of the junior subordinated capital income securities was $70,500 and $84,199 at December 31, 2000 and 1999, respectively, and is determined based on quoted market prices. The fair value of senior notes was $3,987,116 and $4,075,825 as of December 31, 2000 and 1999, respectively, and is determined based on quoted market prices.

Interest Payable

The carrying amount approximated fair value.

Off-Balance Sheet Financial Instruments

The fair value was the estimated net amount that the Company would have (paid)/received to terminate the interest rate swaps, currency swaps and f/x contracts at the respective dates, taking into account the forward yield curve on the swaps and the forward rates on the currency swaps and f/x contracts. As of December 31, 2000 and 1999, the estimated fair value was $(39,121) and $80,566, respectively.

Note Q

CAPITAL ONE FINANCIAL CORPORATION (PARENT COMPANY ONLY) CONDENSED FINANCIAL INFORMATION

Balance Sheets at December 31	2000	1999
ASSETS:		
Cash and cash equivalents	**$ 9,284**	$ 5,846
Investment in subsidiaries	**1,832,387**	1,428,754
Loans to subsidiaries[1]	**808,974**	609,176
Other	**98,034**	81,169
Total assets	**$ 2,748,679**	$ 2,124,945
LIABILITIES:		
Senior notes	**$ 549,042**	$ 548,897
Borrowings from subsidiaries	**204,367**	46,802
Other	**32,756**	13,639
Total liabilities	**786,165**	609,338
Stockholders' equity	**1,962,514**	1,515,607
Total liabilities and stockholders' equity	**$ 2,748,679**	$ 2,124,945

(1) As of December 31, 2000 and 1999, includes $63,220 and $11,350, respectively, of cash invested at the Bank instead of the open market.

Statements of Income for the Year Ended December 31	2000	1999	1998
Interest from temporary investments	**$ 41,321**	$ 32,191	$ 12,485
Interest expense	**(46,486)**	(41,011)	(18,212)
Dividends, principally from bank subsidiaries	**250,000**	220,001	260,000
Non-interest income	**61**	39	893
Non-interest expense	**(8,184)**	(6,274)	(2,700)
Income before income taxes and equity in undistributed earnings of subsidiaries	**236,712**	204,946	252,466
Income tax benefit	**5,049**	5,721	2,863
Equity in undistributed earnings of subsidiaries	**227,873**	152,424	19,902
Net income	**$ 469,634**	$ 363,091	$ 275,231

Statements of Cash Flows for the Year Ended December 31	**2000**	1999	1998
OPERATING ACTIVITIES:			
Net income	**$ 469,634**	$ 363,091	$ 275,231
Adjustments to reconcile net income to net cash			
provided by operating activities:			
Equity in undistributed earnings of subsidiaries	**(227,873)**	(152,424)	(19,902)
(Increase) decrease in other assets	**(37,400)**	4,236	(56,682)
Increase in other liabilities	**19,117**	2,604	1,365
Net cash provided by operating activities	**223,478**	217,507	200,012
INVESTING ACTIVITIES:			
Purchases of securities available for sale		(26,836)	
Proceeds from sales of securities available for sale	**8,455**		
Proceeds from maturities of securities available for sale	**6,832**	11,658	
Increase in investment in subsidiaries	**(117,123)**	(115,233)	(172,119)
Increase in loans to subsidiaries	**(199,798)**	(233,780)	(167,889)
Net cash used for investing activities	**(301,634)**	(364,191)	(340,008)
FINANCING ACTIVITIES:			
Increase in borrowings from subsidiaries	**157,711**	(7,398)	50,900
Issuance of senior notes		224,684	199,213
Dividends paid	**(20,824)**	(20,653)	(20,533)
Purchases of treasury stock	**(134,619)**	(107,104)	(91,672)
Net proceeds from issuances of common stock	**21,076**	14,028	12,143
Proceeds from exercise of stock options	**58,250**	38,086	629
Net cash provided by financing activities	**81,594**	141,643	150,680
Increase (decrease) in cash and cash equivalents	**3,438**	(5,041)	10,684
Cash and cash equivalents at beginning of year	**5,846**	10,887	203
Cash and cash equivalents at end of year	**$ 9,284**	$ 5,846	$ 10,887

Directors and Officers

CAPITAL ONE FINANCIAL CORPORATION BOARD OF DIRECTORS

Richard D. Fairbank
Chairman and Chief Executive Officer
Capital One Financial Corporation

Nigel W. Morris
President and Chief Operating Officer
Capital One Financial Corporation

W. Ronald Dietz*
Managing Partner
Customer Contact Solutions, LLC

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America Online, Inc.

Stanley I. Westreich**
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Westfield Realty, Inc.

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**Compensation Committee

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Chairman and Chief Executive Officer

Nigel W. Morris
President and Chief Operating Officer

Marjorie M. Connelly
Executive Vice President, Credit Card Operations

John G. Finneran, Jr.
Executive Vice President, General Counsel and Corporate Secretary

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Executive Vice President

Dennis H. Liberson
Executive Vice President, Human Resources

William J. McDonald
Executive Vice President, Brand Management

Peter A. Schnall
Executive Vice President, Marketing and Analysis

Catherine West
Executive Vice President, Risk

David M. Willey
Executive Vice President and Chief Financial Officer

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