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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1998

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _________ to _________.

Commission file number 1-13300

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

Delaware	54-1719854
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2980 Fairview Park Drive, Suite 1300, Falls Church, Virginia	22042-4525
(Address of principal executive offices)	(Zip Code)

(703) 205-1000
- --
(Registrant's telephone number, including area code)

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

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

As of April 30, 1998, there were 65,582,514 shares of the registrant's Common Stock, par value $.01 per share, outstanding.

CAPITAL ONE FINANCIAL CORPORATION
FORM 10-Q

INDEX

March 31, 1998

ITEM 1.

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

	MARCH 31 1998	DECEMBER 31 1997
ASSETS:		
Cash and due from banks	$ 2,983	$ 5,039
Federal funds sold and resale agreements	105,000	173,500
Interest-bearing deposits at other banks	34,077	59,184
Cash and cash equivalents	142,060	237,723
Securities available for sale	1,513,398	1,242,670
Consumer loans	4,748,186	4,861,687
Less: Allowance for loan losses	(213,000)	(183,000)
Net loans	4,535,186	4,678,687
Premises and equipment, net	163,757	162,726
Interest receivable	44,213	51,883
Accounts receivable from securitizations	696,599	588,781
Other assets	128,689	115,809
Total assets	$ 7,223,902	$ 7,078,279
LIABILITIES:		
Interest-bearing deposits	$ 1,160,850	$ 1,313,654
Other borrowings	723,614	796,112
Senior notes	3,464,176	3,332,778
Deposit notes	299,996	299,996
Interest payable	67,544	68,448
Other liabilities	422,480	276,368
Total liabilities	6,138,660	6,087,356
GUARANTEED PREFERRED BENEFICIAL INTERESTS IN CAPITAL ONE BANK'S FLOATING RATE JUNIOR SUBORDINATED CAPITAL INCOME SECURITIES:	97,727	97,664
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 300,000,000 shares, 66,558,730 and 66,557,230 issued as of March 31, 1998 and December 31, 1997, respectively	666	666
Paid-in capital, net	543,179	513,561
Retained earnings	485,750	425,140
Cumulative other comprehensive income	2,325	2,539
Less: Treasury stock, at cost; 1,092,283 and 1,188,134 shares as of March 31, 1998 and December 31, 1997, respectively	(44,405)	(48,647)
Total stockholders' equity	987,515	893,259
Total liabilities and stockholders' equity	$ 7,223,902	$ 7,078,279

See notes to the condensed consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31 1998	1997
INTEREST INCOME:		
Consumer loans, including fees	$ 229,638	$ 146,512
Federal funds sold and resale agreements	5,078	5,664
Other	23,326	16,418
Total interest income	258,042	168,594
INTEREST EXPENSE:		
Deposits	14,138	10,437
Other borrowings	16,053	6,524
Senior and deposit notes	63,029	63,436
Total interest expense	93,220	80,397
Net interest income	164,822	88,197
Provision for loan losses	85,866	49,187
Net interest income after provision for loan losses	78,956	39,010
NON-INTEREST INCOME:		
Servicing and securitizations	168,655	170,033
Service charges	113,324	53,648
Interchange	14,799	9,315
Other	19,121	10,061
Total non-interest income	315,899	243,057
NON-INTEREST EXPENSE:		
Salaries and associate benefits	107,953	70,636
Marketing	75,000	54,051
Communications and data processing	29,363	21,790
Supplies and equipment	22,615	18,073
Occupancy	10,644	7,801
Other	43,308	41,196
Total non-interest expense	288,883	213,547
Income before income taxes	105,972	68,520
Income taxes	40,269	26,038
Net income	$ 65,703	$ 42,482
Basic earnings per share	$ 1.00	$ 0.64
Diluted earnings per share	$ 0.96	$ 0.63
Dividends paid per share	$ 0.08	$ 0.08

See notes to the condensed consolidated financial statements.

CAPITAL ONE FINANCIAL CORPORATION

Condensed Consolidated Statements of Changes in Stockholders' Equity (dollars in thousands, except per share data) (unaudited)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	PAID-IN CAPITAL, NET	RETAINED EARNINGS	CUMULATIVE OTHER COMPREHENSIVE INCOME	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
Balance, December 31, 1996	66,325,261	$ 663	$ 481,383	$ 256,396	$ 1,949		$ 740,391
Comprehensive income:							
Net income				42,482			42,482
Other comprehensive income, net of income tax							
Unrealized gains on securities net of income taxes of $2,511					(4,616)		(4,616)
Foreign currency translation adjustments					(76)		(76)
Other comprehensive income					(4,692)		(4,692)
Comprehensive income							37,790
Cash dividends - $.08 per share				(5,165)			(5,165)
Issuances of common stock	39,584	1	1,183				1,184
Exercise of stock options	10,498		159				159
Tax benefit from stock awards			143				143
Restricted stock, net	(121)		28				28
Common stock issuable under incentive plan			3,231				3,231
Balance, March 31, 1997	66,375,222	$ 664	$ 486,127	$ 293,713	$ (2,743)		$777,761
Balance, December 31, 1997	66,557,230	$ 666	$ 513,561	$ 425,140	$ 2,539	$ (48,647)	$ 893,259
Comprehensive income:							
Net income				65,703			65,703
Other comprehensive income, net of income tax							
Unrealized gains on securities net of income taxes of $134, net of reclassification adjustment of $44, net of income taxes of $17					(218)		(218)
Foreign currency translation adjustments					4		4
Other comprehensive income					(214)		(214)
Comprehensive income							65,489
Cash dividends - $.08 per share				(5,093)			(5,093)
Purchases of treasury stock						(2,364)	(2,364)
Issuances of common stock			572			960	1,532
Exercise of stock options	1,500		(3,531)			5,646	2,115
Tax benefit from stock awards			164				164
Restricted stock, net			18				18
Common stock issuable under incentive plan			32,395				32,395
Balance, March 31, 1998	66,558,730	$ 666	$ 543,179	$ 485,750	$ 2,325	$ (44,405)	$ 987,515

See notes to the condensed consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31	
	1998	1997
OPERATING ACTIVITIES:		
Net income	$ 65,703	$ 42,482
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for loan losses	85,866	49,187
Depreciation and amortization, net	16,278	11,105
Stock compensation plans	32,413	3,259
Decrease in interest receivable	7,670	45,707
(Increase) decrease in accounts receivable from securitizations	(107,818)	43,351
Increase in other assets	(16,976)	(49)
Decrease in interest payable	(904)	(19,200)
Increase in other liabilities	146,112	174,428
Net cash provided by operating activities	228,344	350,270
INVESTING ACTIVITIES:		
Purchases of securities available for sale	(670,782)	(547,420)
Proceeds from maturities of securities available for sale	303,344	394,844
Proceeds from sales of securities available for sale	102,271	
Proceeds from securitization of consumer loans		353,457
Net decrease in consumer loans	46,659	119,606
Recoveries of loans previously charged off	10,976	4,701
Additions of premises and equipment, net	(18,761)	(18,555)
Net cash (used for) provided by investing activities	(226,293)	306,633
FINANCING ACTIVITIES:		
Net decrease in interest-bearing deposits	(152,804)	(201,303)
Net decrease in other borrowings	(72,498)	(175,795)
Issuances of senior notes	505,064	480,000
Maturities of senior notes	(373,666)	(705,436)
Issuances of preferred beneficial interests		97,428
Proceeds from exercise of stock options	2,115	159
Net proceeds from issuances of common stock	1,532	1,184
Purchases of treasury stock	(2,364)	
Dividends paid	(5,093)	(5,165)
Net cash used for financing activities	(97,714)	(508,928)
(Decrease) increase in cash and cash equivalents	(95,663)	147,975
Cash and cash equivalents at beginning of period	237,723	528,976
Cash and cash equivalents at end of period	$ 142,060	$ 676,951

See notes to the condensed consolidated financial statements.

CAPITAL ONE FINANCIAL CORPORATION
Notes to the Condensed Consolidated Financial Statements March 31, 1998 (in thousands, except per share data) (unaudited)

NOTE A: 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 provides certain consumer lending and deposit services. The Corporation and its subsidiaries are collectively referred to as the "Company."

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Operating results for the three months ended March 31, 1998 are not necessarily indicative of the results for the year ending December 31, 1998. The notes to the consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 1997 should be read in conjunction with these condensed consolidated financial statements. All significant intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the 1998 presentation.

NOTE B: SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash paid for interest for the three months ended March 31, 1998 and 1997 was $94,124 and $99,597, respectively. Cash paid for income taxes for the three months ended March 31, 1997 was $9,075.

CONSUMER LOANS

In the fourth quarter of 1997, the Company recognized the estimated uncollectible portion of finance charge and fee income receivables. In addition, in the fourth quarter of 1997, the Company modified its methodology for charging off credit card loans (net of any collateral) to 180 days past-due, from the prior practice of charging off loans during the next billing cycle after becoming 180 days past-due.

EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" ("SFAS 128") which became effective for periods ending after December 15, 1997, including interim periods. SFAS 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share is based only on the weighted average number of common shares outstanding, excluding any dilutive effects of options and restricted stock. Diluted earnings per share is similar to the previously reported fully diluted earnings per share and is based on the weighted average number of common and common equivalent shares, including dilutive stock options and restricted stock outstanding during the year. Earnings per share amounts for all prior periods have been restated to conform to SFAS 128 requirements.

COMPREHENSIVE INCOME

As of January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income"("SFAS 130"), which establishes new rules for the reporting and display of comprehensive income and its components. SFAS 130 requires unrealized gains or losses on available-for-sale securities and foreign currency translation adjustments, which prior to adoption were reported separately in stockholders' equity, to be included in other comprehensive income. The adoption of SFAS 130 had no impact on the Company's net income or stockholders' equity. Prior year amounts have been reclassified to conform to SFAS 130 requirements.

NOTE C: ASSOCIATE STOCK PLANS

In April 1998, stockholders approved an increase of 3,250,000 in shares available for issuance under the 1994 Stock Incentive Plan. With this approval, a December 18, 1997 grant ("Entrepreneur Grant II") to senior management became effective. Included in this grant were 1,143,221 performance-based options granted to certain key managers (including 685,755 options to the Company's Chief Executive Officer and Chief Operating Officer), which vested in April 1998 when the market price of the Company's stock remained at or above $84.00 for at least ten trading days in a 30 consecutive calendar day period. The Company recognized $32,395 and $3,231 of compensation cost relating to its associate stock plans for the three months ended March 31, 1998 and 1997, respectively.

NOTE D: EARNINGS PER SHARE

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

	THREE MONTHS ENDED MARCH 31	
(shares in thousands)	1998	1997
NUMERATOR:		
Net income	$ 65,703	$ 42,482
DENOMINATOR:		
Denominator for basic earnings per share - Weighted-average shares	65,428	66,336
EFFECT OF DILUTIVE SECURITIES:		
Stock options	2,985	1,361
Restricted stock	2	7
Dilutive potential common shares	2,987	1,368
Denominator for diluted earnings per share - Adjusted weighted-average shares	68,415	67,704
BASIC EARNINGS PER SHARE	$ 1.00	$ 0.64
DILUTED EARNINGS PER SHARE	$ 0.96	$ 0.63

NOTE E: COMMITMENTS AND CONTINGENCIES

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 has since been acquired by First Union Bank 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 February 1997, the California court entered judgement in favor of the Bank on all of the plaintiffs' claims. The plaintiffs have appealed the ruling to the California Court of Appeal First Appellate District Division 4, and the appeal is pending.

Because no specific measure of damages is demanded in the complaint of the California case and the trial court entered judgement in favor of the Bank before the parties completed any significant discovery, 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 continue 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.

ITEM 2.

CAPITAL ONE FINANCIAL CORPORATION
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. The principal subsidiaries are Capital One Bank (the "Bank"), which offers credit card products, and Capital One, F.S.B. (the "Savings Bank"), which provides certain consumer lending and deposit services. The Corporation and its subsidiaries are collectively referred to as the "Company." As of March 31, 1998, the Company had 12.7 million customers and $14.0 billion in managed consumer loans outstanding and was one of the largest providers of Master Card and Visa credit cards in the world. The Company's profitability is affected by the net interest margin and non-interest income earned on earning assets, consumer usage patterns, credit quality, the level of marketing expense and operating efficiency.

EARNINGS SUMMARY

Net income for the three months ended March 31, 1998 of $65.7 million, or $.96 per share (diluted), compares to net income of $42.5 million, or $.63 per share (diluted), for the same period in 1997.

The increase in net income is primarily a result of an increase in asset and account volumes and rates. Net interest income increased $76.6 million, or 87%, as the net interest margin increased to 9.83% from 6.32% and average earning assets increased by 20%. The provision for loan losses increased $36.7 million, or 75%, as average reported loans increased by 18% and the reported charge-off rate increased to 4.69% from 4.58%. Non-interest income increased $72.8 million, or 30%, primarily as a result of the increase in average managed loans of 12%, a continued shift to more fee-based accounts and increases in the amounts of certain fees charged. Marketing expense increased $20.9 million, or 39%, to $75.0 million as the Company continues to invest in new product opportunities. Salaries and associate benefits expense increased $37.3 million, or 53%, of which $29.2 million, or 41%, was an increase in compensation expense related to the associate stock plans. The remaining $8.1 million, or 12%, increase in salaries and associate benefits and the $17.1 million, or 19%, increase in other non-interest expense (excluding marketing) primarily reflected the cost of operations to manage the growth in accounts. Each component is discussed in further detail in subsequent sections of this analysis.

MANAGED CONSUMER LOAN PORTFOLIO

The Company analyzes its financial performance on a managed consumer loan portfolio basis. Managed consumer loan data adjusts the balance sheet and income statement to add back the effect of securitizing 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 on-balance sheet consumer loans and loans held for securitization (collectively, "reported loans"), and securitized loans. Securitized loans are not assets of the Company and, therefore, are not shown on the balance sheet.

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

TABLE 1 - MANAGED CONSUMER LOAN PORTFOLIO

	THREE MONTHS ENDED MARCH 31	
(in thousands)	1998	1997
PERIOD-END BALANCES:		
Consumer loans held for securitization		$ 300,000
On-balance sheet consumer loans	$ 4,748,186	3,516,951
Securitized consumer loans	9,254,063	8,789,969
Total managed consumer loan portfolio	$ 14,002,249	$ 12,606,920
AVERAGE BALANCES:		
Consumer loans held for securitization		$ 122,445
On-balance sheet consumer loans	$ 4,786,489	3,936,256
Securitized consumer loans	9,310,986	8,500,177
Total average managed consumer loan portfolio	$ 14,097,475	$ 12,558,878

Since 1990, the Company has actively engaged in consumer loan securitization transactions. In accordance with Statement of Financial Accounting Standards No. 125 "Accounting for and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 125"), the Company records gains or losses on the securitization of consumer loan receivables based on the estimated fair value of assets obtained and liabilities incurred in the sale. Gains represent the excess present value of estimated net 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 "interest only" ("I/O") strip, consisting of the excess 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 these excess cash flows. 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 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.

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

(dollars in thousands)	THREE MONTHS ENDED MARCH 31 1998	1997
REPORTED:		
Average earning assets	$ 6,708,901	$ 5,579,411
Net interest margin(1)	9.83%	6.32%
Loan yield	19.19	14.44
MANAGED:		
Average earning assets	$ 16,019,887	$ 14,079,588
Net interest margin(1)	10.40%	8.83%
Loan yield	17.45	15.46

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

RISK ADJUSTED REVENUE AND MARGIN

In originating its consumer loan portfolio since the early 1990's, the Company has pursued a low introductory interest rate strategy with accounts repricing to higher rates after six to 16 months from the date of origination. The amount of repricing is actively managed in an effort to maximize return at the consumer level, reflecting the risk and expected performance of the account. Separately, accounts also may be repriced upwards or downwards based on individual consumer performance. Many of the Company's products have a balance transfer feature under which consumers can transfer balances from their other obligations to the Company. The Company's historic managed loan growth has been principally the result of this balance transfer feature. Industry competitors have continuously solicited the Company's customers with similar low introductory interest rate strategies. Management believes that the competition has put, and will continue to put, additional pressure on low introductory interest rate strategies.

In applying its information-based strategies ("IBS") and in response to competitive pressures during late 1994, the Company began to shift 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, college student cards and other cards targeted to certain markets that were underserved by the Company's competitors. These products do not have the immediate impact on managed loan balances of the balance transfer products but typically consist of lower credit limit accounts and balances that build over time. The terms of the other credit 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 delinquency and consequently higher past-due and overlimit fees as a percentage of loan receivables outstanding than the balance transfer products.

Each of 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 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 managed 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.

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

(dollars in thousands)	THREE MONTHS ENDED MARCH 31 1998	1997
MANAGED INCOME STATEMENT:		
Net interest income	$ 416,711	$ 310,690
Non-interest income	220,683	157,320
Net charge-offs	(212,735)	(183,255)
Risk adjusted revenue	$ 424,659	$ 284,755
RATIOS(1):		
Net interest margin	10.40%	8.83%
Non-interest income	5.51	4.47
Net charge-offs	(5.31)	(5.21)
Risk adjusted margin	10.60%	8.09%

(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 and deposit notes.

Net interest income for the three months ended March 31, 1998 was $164.8 million, compared to $88.2 million for the same period in the prior year, representing an increase of $76.6 million, or 87%. Average earning assets increased 20% for the three months ended March 31, 1998, versus the same period in 1997. The yield on earning assets increased 330 basis points for the three months ended March 31, 1998, to 15.39% from 12.09%, as compared to the same period in the prior year. The increase was primarily attributable to a 475 basis point increase in the yield on consumer loans for the three months ended March 31, 1998, to 19.19% from 14.44%, as compared to the same period in the prior year. The yield on consumer loans increased due to an increase in the amount and frequency of past-due fees charged as compared to the same period in the prior year and the Company's continued shift to higher yielding products, especially in the reported loan portfolio during the comparable periods.

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 the three months ended March 31, 1998 and 1997.

TABLE 4 - STATEMENTS OF AVERAGE BALANCES, INCOME AND EXPENSE, YIELDS AND RATES

	THREE MONTHS ENDED MARCH 31					
	1998			1997		
(dollars in thousands)	AVERAGE BALANCE	INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE	INCOME/ EXPENSE	YIELD/ RATE
ASSETS:						
Earning assets						
Consumer loans(1)	$4,786,489	$ 229,638	19.19%	$4,058,701	$146,512	14.44%
Federal funds sold and resale agreements	362,680	5,078	5.60	428,853	5,664	5.28
Other	1,559,732	23,326	5.98	1,091,857	16,418	6.01
Total earning assets	6,708,901	$258,042	15.39%	5,579,411	$168,594	12.09%
Cash and due from banks	18,622			91,047		
Allowance for loan losses	(197,333)			(119,835)		
Premises and equipment, net	165,532			180,256		
Other assets	840,727			668,501		
Total assets	$7,536,449			$6,399,380		
LIABILITIES AND EQUITY:						
Interest-bearing liabilities						
Deposits	$1,266,064	$ 14,138	4.47%	$ 992,751	$ 10,437	4.21%
Other borrowings	1,077,082	16,053	5.96	410,924	6,524	6.35
Senior and deposit notes	3,683,113	63,029	6.85	3,808,926	63,436	6.66
Total interest-bearing liabilities	6,026,259	$ 93,220	6.19%	5,212,601	$ 80,397	6.17%
Other liabilities	462,355			357,833		
Total liabilities	6,488,614			5,570,434		
Preferred beneficial interests	97,696			64,966		
Equity	950,139			763,980		
Total liabilities and equity	$7,536,449			$6,399,380		
Net interest spread			9.20%			5.92%
Interest income to average earning assets			15.39%			12.09%
Interest expense to average earning assets			5.56			5.77
Net interest margin			9.83%			6.32%

(1) Interest income includes past-due fees on loans of approximately $75,951 and $25,248 for the three months ended March 31, 1998 and 1997, respectively.

Managed net interest income increased $106.0 million, or 34%, for the three months ended March 31, 1998, compared to the same period in the prior year as managed average earning assets increased 14% and the managed net interest margin increased 157 basis points to 10.40%. The increase in managed net interest margin principally reflects growth in higher yielding loans and increases in the amount and frequency of past-due fees.

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 (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

	THREE MONTHS ENDED MARCH 31, 1998 VS. 1997		
	INCREASE	CHANGE DUE TO(1)	
(in thousands)	(DECREASE)	VOLUME	YIELD/RATE
INTEREST INCOME:			
Consumer loans	$ 83,126	$ 29,321	$ 53,805
Federal funds sold and resale agreements	(586)	(912)	326
Other	6,908	6,998	(90)
Total interest income	89,448	38,097	51,351
INTEREST EXPENSE:			
Deposits	3,701	3,019	682
Other borrowings	9,529	9,952	(423)
Senior and deposit notes	(407)	(2,127)	1,720
Total interest expense	12,823	12,586	237
Net interest income(1)	$ 76,625	$ 20,502	$ 56,123

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

SERVICING AND SECURITIZATIONS INCOME

Servicing and securitizations income decreased $1.4 million, or 1%, for the three months ended March 31, 1998, from the same period in the prior year due to a reduction of the percentage of higher yielding products included in the off-balance sheet portfolio, which resulted in tightened estimated future spreads, and an increase in estimated credit losses on securitized assets. Also impacting servicing and securitizations income in the first quarter of 1998 was the current recognition of estimated uncollectible finance charge and fee income receivables implemented in the fourth quarter of 1997.

OTHER NON-INTEREST INCOME

Other reported non-interest income increased to $147.2 million, or 102%, for the three months ended March 31, 1998, compared to $73.0 million for the same period in the prior year. The increase in other non-interest income was due to an increase in the average number of accounts of 39% compared to the same period in the prior year and the Company's continued shift to higher yielding products, especially in the reported loan portfolio during the comparable periods.

Managed other non-interest income increased $63.4 million, or 40%, for the three months ended March 31, 1998, primarily due to the increase in the average number of accounts.

NON-INTEREST EXPENSE

Non-interest expense for the three months ended March 31, 1998 was $288.9 million, an increase of 35% over $213.5 million for the same period in the prior year. Contributing to the increase in non-interest expense was salaries and associate benefits expense, which rose $37.3 million, or 53%, for the three months ended March 31, 1998, compared to the same period in the prior year. This increase reflected a $29.2 million increase in additional compensation expense associated with the Company's associate stock plans. Marketing expense increased $20.9 million, or 39%, to $75.0 million as the Company continues to invest in new product opportunities. All other non-interest expenses increased $17.1 million, or 19%, to $105.9 million for the three months ended March 31, 1998, from $88.9 million for the same period in the prior year. The increase in other non-interest expense was primarily a result of a 39% increase in the average number of accounts for the three months ended March 31, 1998, which resulted in a corresponding increase in infrastructure and other operational costs, offset by efficiencies gained from improved processes and investments in information technology.

Salaries and benefits expense includes $32.4 million for the performance-based stock options granted in December 1997 and reflects the 46% stock price increase during the quarter. The continued increase in the stock price and subsequent vesting of these options in April will result in $22.0 million in additional expense being recorded in the second quarter of 1998 related to this grant. The Company does not, however, expect this charge to impact its ability to meet its earnings targets for 1998 as discussed in the "Business Outlook" section.

INCOME TAXES

The Company's income tax rate was 38% for the three months ended March 31, 1998 and 1997 and 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, seasoning of the accounts, levels of competition, account management activities and demographic concentration, as well as general economic conditions. The seasoning of the accounts is also an important indicator of the delinquency and loss levels of the portfolio. Accounts tend to exhibit a rising trend of delinquency and credit losses as they season.

DELINQUENCIES

Table 6 shows the Company's consumer loan delinquency trends for the periods presented as reported for financial statement purposes and on a managed basis. The entire balance of an account is contractually delinquent if the minimum payment is not received by the payment due date. However, the Company generally continues to accrue interest until the loan is charged off.

TABLE 6 - DELINQUENCIES(1)

	MARCH 31			
	1998		1997	
(dollars in thousands)	LOANS	% OF TOTAL LOANS	LOANS	% OF TOTAL LOANS
REPORTED:				
Loans outstanding	$ 4,748,186	100.00%	$ 3,816,951	100.00%
Loans delinquent:				
30-59 days	92,673	1.95	68,406	1.79
60-89 days	59,435	1.25	42,407	1.11
90 or more days	100,971	2.13	92,090	2.42
Total	$ 253,079	5.33%	$ 202,903	5.32%
MANAGED:				
Loans outstanding	$ 14,002,249	100.00%	$ 12,606,920	100.00%
Loans delinquent:				
30-59 days	283,346	2.02	264,705	2.10
60-89 days	179,974	1.29	159,809	1.27
90 or more days	342,261	2.44	383,571	3.04
Total	$ 805,581	5.75%	$ 808,085	6.41%

(1) Includes consumer loans held for securitization.

In the fourth quarter of 1997, the Company modified its methodology for charging off credit card loans (net of any collateral) to 180 days past-due from the prior practice of charging off loans during the next billing cycle after becoming 180 days past-due. In addition, in the fourth quarter of 1997, the Company recognized the estimated uncollectible portion of finance charge and fee income receivables. The delinquency rate for reported loans was 5.33% as of March 31, 1998 reflects a higher percentage of higher yielding loans in the reported portfolio as compared to the prior year, offset by the modifications in charge-off policy and finance charge and fee income recognition. The delinquency rate for the managed consumer loan portfolio was 5.75% as of March 31, 1998, down from 6.41% as of March 31, 1997 and down from 6.20% as of December 31, 1997. Both the managed and reported (5.51% as of December 31, 1997) portfolio's delinquency rate decrease as of March 31, 1998, when compared to December 31, 1997, reflected seasonality and improvements in consumer credit performance.

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. Table 7 shows the Company's net charge-offs for the periods presented on a reported and managed basis.

TABLE 7 - NET CHARGE-OFFS (1)

(dollars in thousands)	THREE MONTHS ENDED MARCH 31 1998	1997
REPORTED:		
Average loans outstanding	$ 4,786,489	$ 4,058,701
Net charge-offs	56,062	46,500
Net charge-offs as a percentage of average loans outstanding	4.69%	4.58%
MANAGED:		
Average loans outstanding	$ 14,097,475	$ 12,558,878
Net charge-offs	212,735	183,255
Net charge-offs as a percentage of average loans outstanding	6.04%	5.84%

(1) Includes consumer loans held for securitization.

Net charge-offs of managed loans increased $29.5 million, or 16%, while average managed consumer loans grew 12% for the three months ended March 31, 1998, from the same period in the prior year. For the three months ended March 31, 1998, the Company's net charge-offs as a percentage of managed loans were 6.04%, compared to 5.84% for the same period in the prior year. The increase in net charge-offs was the result of worsened general economic trends in consumer credit performance compared to the same period in the prior year. The increase in the reported charge-offs from period to period reflect these same trends.

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The provision for loan losses is the periodic expense of maintaining an adequate allowance at the amount estimated to be sufficient to absorb possible future losses, net of recoveries (including recovery of collateral), inherent in the existing on-balance sheet consumer loan portfolio. In evaluating the adequacy of the allowance for loan losses, the Company takes into consideration several factors including economic trends and conditions, overall asset quality, loan seasoning and trends in delinquencies and expected charge-offs. The Company's primary guideline is a calculation which uses current

delinquency levels and other measures of asset quality to estimate net charge-offs. Consumer loans are typically charged off (net of any collateral) at 180 days past-due, although earlier charge-offs may occur on accounts of bankrupt or deceased consumers. Bankrupt consumers' accounts are generally charged off within 30 days after receipt of the bankruptcy petition. Once a loan is charged off, it is the Company's policy to continue to pursue the collection of principal, interest and fees for non-bankrupt accounts.

Management believes that the allowance for loan losses is adequate to cover anticipated losses in the on-balance sheet 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 on-balance sheet consumer loan portfolio.

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

TABLE 8 - SUMMARY OF ALLOWANCE FOR LOAN LOSSES

(dollars in thousands)	THREE MONTHS ENDED MARCH 31 1998	1997
Balance at beginning of period	$ 183,000	$ 118,500
Provision for loan losses	85,866	49,187
Transfer to loans held for securitization		(2,625)
Other	196	(62)
Charge-offs	(67,038)	(51,201)
Recoveries	10,976	4,701
Net charge-offs(1)	(56,062)	(46,500)
Balance at end of period	$ 213,000	$ 118,500
Allowance for loan losses to loans at period-end(1)	4.49%	3.37%

(1) Excludes consumer loans held for securitization.

For the three months ended March 31, 1998, the provision for loan losses increased to $85.9 million, or 75%, from $49.2 million for the comparable period in the prior year, as average reported loans increased by 18% and the reported charge-off rate increased to 4.69% from 4.58%. The allowance for loan losses as a percentage of on-balance sheet consumer loans increased to 4.49% as of March 31, 1998, from 3.37% as of March 31, 1997. The increase reflects the increase in on-balance sheet consumer loans to $4.7 billion as of March 31, 1998, an increase of 35% from March 31, 1997. The increase also reflects a moderate increase in the net charge-off rate in the same periods resulting from worsened general economic trends in consumer credit performance. For the three months ended March 31, 1998, the Company increased the allowance for loan losses by $30 million due to the continued growth and mix of its consumer lending products.

LIQUIDITY AND FUNDING

Liquidity refers to the Company's ability to meet its cash needs. The Company meets its cash requirements by securitizing assets and by debt funding. 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 1998 to 2004 and typically have accumulation periods during which principal payments are aggregated to make payments to investors. As payments on the loans are accumulated for the participants in the securitization 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.

As such loans amortize or are otherwise paid, the Company's funding needs will increase accordingly. The Company believes that 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, U.S. Government Agency and mortgage-backed securities, 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 March 31, 1998, the Company held $1.7 billion in such securities.

Table 9 shows the maturation of certificates of deposit in denominations of $100,000 or greater ("large denomination CDs") as of March 31, 1998.

TABLE 9 - MATURITIES OF LARGE DENOMINATION CERTIFICATES-$100,000 OR MORE

(dollars in thousands)		MARCH 31, 1998 BALANCE	PERCENT
3 months or less	$	62,548	31.71%
Over 3 through 6 months		36,676	18.59
Over 6 through 12 months		48,586	24.63
Over 1 through 5 years		49,447	25.07
Total	$	197,257	100.00%

The Company's other borrowings portfolio consists of $679 million in borrowings maturing within one year and $45 million in borrowings maturing after one year.

Table 10 shows the Company's unsecured funding availability and outstandings as of March 31, 1998.

TABLE 10 - FUNDING AVAILABILITY

(dollars or dollar equivalents in millions)	EFFECTIVE/ ISSUE DATE	MARCH 31, 1998 AVAILABILITY(1)	OUTSTANDING	FINAL MATURITY
Domestic revolving credit facility	11/96	$ 1,700		11/00
UK/Canada revolving credit facility	8/97	350	$ 51	8/00
Senior bank note program(2)	4/97	8,000	3,339	-
Non-U.S. bank note program	10/97	1,000		-
Deposit note program	4/97	2,000	300	-
Floating rate junior subordinated capital income securities(3)	1/97	100	98	2/27
Corporation Universal Shelf Registration	12/96	200	125	12/03

(1) All funding sources are revolving except for the Corporation Universal Shelf Registration.
(2) Includes availability to issue up to $200 million of subordinated bank notes.
(3) Qualifies as Tier 1 capital at the Corporation and Tier 2 capital at the Bank.

The domestic revolving credit facility is comprised of two tranches: a $1.375 billion Tranche A facility available to the Bank and the Savings Bank, including an option for up to $225 million in multi-currency availability, and a $325 million Tranche B facility available to the Corporation, the Bank and the Savings Bank, including an option for up to $100 million in multi-currency availability. The borrowings of the Savings Bank are limited to $750 million. The final maturity of each tranche may be extended for two additional one-year periods.

The UK/Canada revolving credit facility is used to finance the Company's expansion in the United Kingdom and Canada. The facility is comprised of two tranches: a Tranche A facility in the amount of (pound)156.5 million ($249.8 million equivalent based on the exchange rate at closing) and a Tranche B facility in the amount of C$139.6 million ($100.2 million equivalent based on the exchange rate at closing). An amount of (pound)34.6 million or C$76.9 million ($55.2 million equivalent based on the exchange rates at closing) may be transferred between the Tranche A facility and the Tranche B facility, respectively, upon the request of the Company. The Corporation serves as the guarantor of all borrowings under the UK/Canada revolving facility.

Under the Corporation's $200 million shelf registration, filed with the Securities and Exchange Commission, 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. As of March 31, 1998, one issue of senior notes was outstanding.

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 as calculated under Regulatory Accounting Principles. The inability to meet and maintain minimum capital adequacy levels could result in 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 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 table below. As of March 31, 1998, there are no conditions or events since the notifications discussed above that management believes have changed either the Bank or the Savings Bank's capital category. As of March 31, 1998, the Bank and the Savings Bank's ratios of capital to managed assets were 5.67% and 7.71%, respectively.

TABLE 11 - REGULATORY CAPITAL RATIOS

	RATIOS	MINIMUM FOR CAPITAL ADEQUACY PURPOSES	TO BE "WELL-CAPITALIZED" UNDER PROMPT CORRECTIVE ACTION PROVISIONS
MARCH 31, 1998			
Capital One Bank			
Tier 1 Capital	14.08%	4.00%	6.00%
Total Capital	16.94	8.00	10.00
Tier 1 Leverage	11.34	4.00	5.00
Capital One, F.S.B.(1)			
Tangible Capital	9.34%	1.50%	6.00%
Total Capital	15.99	12.00	10.00
Core Capital	9.34	8.00	5.00
MARCH 31, 1997			
Capital One Bank			
Tier 1 Capital	11.49%	4.00%	6.00%
Total Capital	14.43	8.00	10.00
Tier 1 Leverage	12.04	4.00	5.00
Capital One, F.S.B.(1)			
Tangible Capital	11.22%	1.50%	6.00%
Total Capital	21.47	12.00	10.00
Core Capital	11.22	8.00	5.00

(1) Until June 30, 1999, the Savings Bank is subject to capital requirements that exceed minimum capital adequacy requirements, including the requirement to maintain a minimum Core Capital ratio of 8% and a Total Capital ratio of 12%.

During 1996, the Bank received regulatory approval and established a branch office in the United Kingdom. In connection with such approval, the Company committed to the Federal Reserve that, for so long as the Bank maintains such branch in the United Kingdom, the Company will maintain a minimum Tier 1 leverage ratio of 3.0%. As of March 31, 1998 and 1997, the Company's Tier 1 leverage ratio was 14.26% and 13.71%, respectively.

Additionally, certain regulatory restrictions exist which limit the ability of the Bank and the Savings Bank to transfer funds to the Corporation. As of March 31, 1998, retained earnings of the Bank and the Savings Bank of $116.8 million and $14.3 million, respectively, were available for payment of dividends to the Corporation, without prior approval by the regulators. The Savings Bank, however, is required to give the OTS at least 30 days' advance notice of any proposed dividend and the OTS, in its discretion, may object to such dividend.

OFF-BALANCE SHEET RISK

The Company is subject to off-balance sheet risk in the normal course of business including commitments to extend credit, excess servicing income from securitization transactions and interest rate swap agreements ("swaps"). In order to reduce the interest rate sensitivity and to match asset and liability repricings, the Company has entered into swaps which involve elements of credit or interest rate risk in excess of the amount recognized on the balance sheet. Swaps present the Company with certain credit, market, legal and operational risks. The Company has established credit policies for off-balance sheet items as it does for on-balance sheet instruments.

BUSINESS OUTLOOK

This business outlook section summarizes the Company's expectations for earnings for the year ending December 31, 1998 and its primary goals and strategies for continued growth. The statements contained in this section are based on management's current expectations. Certain of the statements are forward looking statements and, therefore, actual results could differ materially. Factors which could materially influence results are set forth throughout this section and in the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (Part I, Item 1, Cautionary Statements).

The Company has set an earnings target, dependent on the factors set forth below, for diluted earnings per share to be $3.90 for the year ending December 31, 1998. As discussed elsewhere in this report and below, the Company's actual earnings are a function of its revenues (net interest income and non-interest income on its earning assets), consumer usage and payment patterns, credit quality of its earning assets (which affects fees and charge-offs), marketing expenses and operating expenses.

PRODUCT AND MARKET OPPORTUNITIES

The Company's strategy for future growth has been, and is expected to continue to be, to apply its proprietary IBS to its credit card business as well as to other businesses, both financial and non-financial, to identify new product opportunities and to make informed investment decisions regarding its existing products. Credit card opportunities include, and are expected to continue to include, various low introductory and intermediate-rate balance transfer products, as well as other customized credit card products. The Company intends to continue to offer these customized products, certain of which are distinguished by several characteristics, including better response rates, less adverse selection, higher margins (including fees), lower credit lines, less attrition and a greater ability to reprice than the Company's traditional low introductory-rate balance transfer products. Some of these products involve higher operational costs and, in some cases, higher delinquencies and credit losses than the Company's traditional low introductory-rate balance transfer products. More importantly, these customized products continue to have overall higher and less volatile returns than the traditional low introductory-rate balance transfer products in recent market conditions. The Company also has been applying, and expects to continue to apply, its IBS to other financial and non-financial products. These products and services include selected non-card consumer lending products and telecommunication services. The Company has also expanded its existing operations outside of the United States, with an initial focus on the United Kingdom and Canada. The Company's credit card and other financial and non-financial products are subject to competitive pressures, which management anticipates will increase as these markets mature.

The Company continues to apply its IBS in an effort to balance the mix of balance transfer and other credit card products together with other financial and non-financial products and services, to optimize profitability within the context of acceptable risk. The Company's growth through expansion and product diversification will be affected by the ability of the Company to internally build or to acquire the operational and organizational infrastructure necessary to engage in new businesses and to recruit experienced personnel to assist in the management and operations of these businesses and the availability of capital necessary to fund these new businesses. Although, management believes that, it has the personnel, financial resources and business strategy necessary for continued success, there can be no assurance that the Company's historical financial information will necessarily reflect its results of operations and financial condition in the future.

MARKETING INVESTMENT

The Company anticipates that its 1998 marketing expenses will substantially exceed such expenses in 1997, as the Company continues to invest in existing and new balance transfer and other credit card products and services, and other financial and non-financial products and services. The Company intends to continue a flexible approach in its 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 credit card industry, general economic conditions affecting consumer credit performance, the asset quality of the Company's portfolio and the identification of market opportunities that exceed company targeted rates for return on investment. With competition affecting the profitability of existing balance transfer products, the Company has been allocating and expects to continue to allocate a greater portion of its marketing expense to customized credit card products and other financial and non-financial products.

Moreover, the amount of marketing expense allocated to various product segments will influence the characteristics of the Company's portfolio because the various product segments are characterized by different account growth, loan growth and asset quality characteristics. The Company currently expects that its growth in consumer accounts and in managed consumer loans will continue in 1998. Actual growth, however, may vary significantly depending on the Company's actual product mix and the level of attrition on the Company's managed portfolio, which is affected by competitive pressures.

IMPACT OF DELINQUENCIES, CHARGE-OFF RATES AND ATTRITION

The Company's earnings are particularly sensitive to delinquencies and charge-offs on the Company's portfolio and on 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 revenue for the Company, 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. Delinquency and net charge-off rates are not only impacted by general economic trends in consumer credit performance but also by the continued seasoning of the Company's portfolio and the product mix. Charge-off rates are also impacted by bankruptcies.

The Company's expectations for 1998 earnings are based on management's belief that consumer credit quality is stabilizing. Management, however, notes that during the second quarter of 1998, it expects that charge-offs will increase, while delinquency rates will remain stable or possibly decrease. Therefore, the Company expects that it will experience a more moderate increase in revenue than it experienced in recent quarters due to the timing of revenue noted above. Management, further cautions that delinquency and charge-off levels are not always predictable and may vary from projections. In addition, competition in the credit card industry, as measured by the volume of mail solicitations, remains very high. Increased competition can affect the Company's earnings by increasing attrition of the Company's outstanding loans (thereby reducing interest and fee income) and by making it more difficult to retain and attract more profitable customers.

CAUTIONARY FACTORS

The Company's strategies and objectives outlined above and the other forward looking statements contained in this section involve a number of risks and uncertainties. The Company cautions readers that any forward looking information is not a guarantee of future performance and that actual results could differ materially. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: continued intense competition from numerous providers of products and services which compete with the Company's businesses; with respect to financial products, changes in the Company's aggregate accounts or consumer loan balances and the growth rate thereof, including changes resulting from factors such as shifting product mix, amount of actual marketing expenses made by the Company and attrition of accounts and loan balances; an increase in credit losses (including increases due to a worsening of general economic conditions); difficulties or delays in the development, production, testing and marketing of new products or services; losses associated with new products or services; 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; the amount of, and rate of growth in, the Company's expenses (including associate and marketing expenses) as the Company's business develops or changes or as it expands into new market areas; the availability of capital necessary to fund the Company's new businesses; the ability of the Company to build the operational and organizational infrastructure necessary to engage in new businesses or to expand internationally; the ability of the Company 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 Company's SEC reports, including, but not limited to, the Annual Report on Form 10-K for the year ended December 31, 1997 (Part I, Item 1, Cautionary Statements).

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(A) The 1998 Annual Meeting of Stockholders was held April 23, 1998.
(B) The following directors were elected at such meeting:

W. Ronald Dietz
Nigel W. Morris

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

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

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

ELECTION OF DIRECTORS	VOTES FOR	VOTES WITHHELD
W. RONALD DIETZ	55,230,950	1,212,024
NIGEL W. MORRIS	55,894,225	548,749

ITEM	VOTES FOR	VOTES AGAINST	ABSTAIN
APPROVAL OF AMENDMENT TO THE 1994 STOCK INCENTIVE PLAN.	45,996,458	10,072,500	374,016
RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP AS INDEPENDENT AUDITORS OF THE COMPANY FOR 1998.	56,244,702	84,881	113,391

No other matter was voted upon at such meeting.

ITEM 6. REPORTS ON FORM 8-K

(A) The Company filed a Current Report on Form 8-K, dated January 15, 1998, Commission File No. 1-13300, enclosing its press release dated January 15, 1998.

SIGNATURES

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

CAPITAL ONE FINANCIAL CORPORATION
(Registrant)

Date: May 14, 1998

/s/James M. Zinn

James M. Zinn
Senior Vice President,
Chief Financial Officer
(Chief Accounting Officer
and duly authorized officer
of the Registrant)

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Dec-31-1998
Jan-01-1998
Mar-31-1998
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288,883
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105,972
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65,703
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Non classified balance sheet
PP&E Shown Net